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Fear IRS Tax Audit no more

If you are like most people, you dread the thought of an IRS tax audit. And rightfully so. Financial penalties can be severe. You could owe thousands of extra dollars in taxes, interest and fines and be investigated for tax violations.

On any given day, one which might start out quite normally and pleasantly, you could receive in your mail the one letter that everyone hopes will never arrive. It's a brown envelope marked "OFFICIAL BUSINESS" from the Internal Revenue Service. You open the notice and read, "We are examining your Federal Income Tax Return for the above year(s) and find we need additional information to verify your correct tax."

This alone is bad news for anyone, but we must warn you — it can be much, much worse.

Instead of a letter announcing a relatively simple "desk audit," you could get a phone call announcing a far more extensive field audit. Worse still by far, you might get a visit from an IRS "Special Agent," a sign you're being checked for possible criminal fraud.

The question is, in any case, what do you do when the IRS taps you? And if you have not yet been tapped, what can you do right now to cut the odds of it happening?

A vital new book, **The Taxpayers Audit Survival Manual,** answers virtually every question you could ask about an IRS tax audit. You are safely guided through the potentially dangerous waters of a tax audit.

Here are some questions you as a taxpayer need to consider.

11 Questions on Tax Audits How many of them can you answer?

1. What should you do if you're called on by an IRS "Special Agent"? *(One thing – and one thing only. At once! See page 45 of THE TAXPAYER'S AUDIT SURVIVAL MANUAL).*

2. True or false: the IRS has no good way of checking out those 1099's on your dividends, interest, etc. *(The wrong answer on this could cost you. See page 14).*

3. The IRS sends you a form letter questionnaire on your return. Is this cause for alarm? *(It may be cause for relief. But only if you handle it just right. See page 27).*

4. Should you take a professional to an audit? Who should do the talking? *(It all depends. See page 39).*

5. Can your accountant be made to testify against you in a tax case? Your lawyer? *(The answer to this may be a real eye opener. See page 74).*.

6. Should you attach "explanations" to your tax return? *(Caution: they could* ***bring on*** *instead of prevent an audit. See page 106).*

7. Should you "round off" figures on your tax return? *(Don't do it before reading page 108).*

8. The tax auditor's in your office. Who should talk to him? Who shouldn't? *(Spare yourself trouble. See page 46).*

9. Should you concede arguments early in an audit? If not, what should you do? *(Save money. See page 48).*

10. An agent stops his audit without a good reason — a sign he may suspect you of criminal fraud. Is there any way to guess at what he thinks you've done? *(There may be – if you've taken one precaution. See page 70).*

11. What should you do if you're caught breaking a tax rule? What should you *not* do — ever? *(This could be critical to your whole future. See page 48).*

If you don't know the answers to questions like those above (and few taxpayers *do*, even those who are otherwise sophisticated), then in today's tax climate, you're living dangerously.

Dangerously because you may unwittingly and needlessly be risking a tax audit. And dangerously because if you *do* get audited, you may unintentionally get yourself into much more trouble than you started out in.

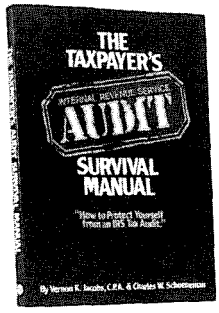
How can you protect yourself? Now, help is at hand in **The Taxpayer's Audit Survival Manual.**

The authors of this book are two of the nation's top authorities in the field. Charles Schoeneman, formerly with the U.S. Tax Court, is now a Washington tax attorney (with an impressive client list). Vernon Jacobs is a CPA and a nationally known tax consultant. The author of **Taxpayer's Counterattack**, he is also editor of the advisory service, **Tax Angles** — and thus an expert on shrewd, yet legal techniques for cutting taxes to the bone, avoiding audits, and coping successfully with the IRS if you *do* get tapped.

These authors know the questions that worry you about audits. They know the answers, too. And they spell out the whole audit story for you in detail in **The Taxpayer's Audit Survival Manual**. You'll learn . . .

- **How you're picked for audit — and how to minimize your chances.**
- **How to protect yourself if you're picked.**
- **How to handle the aftermath.**

And all this is just part of what you get. There's much more as well. 145 pages of vital information, formatted in an 8½ x 11" book.



As with all Enterprise Publishing products, this book sells under an iron-clad 30-day money-back guarantee. After you examine the manual, if for any reason you are not pleased, return it for a prompt and courteous refund. Take a moment to place your order now. Your purchase is tax deductible.

"One good source to consult right away is the Taxpayer's Audit Survival Manual." *Forbes Magazine*

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Free Minds and Free Markets

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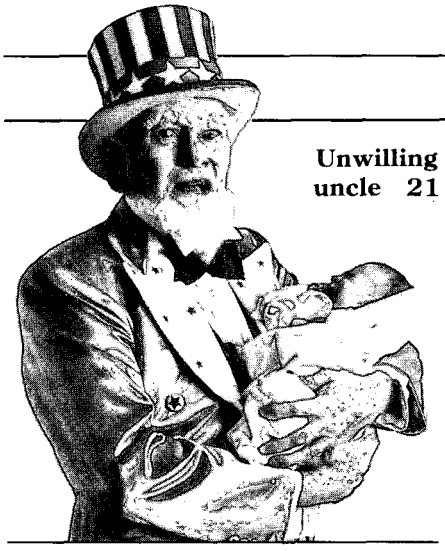

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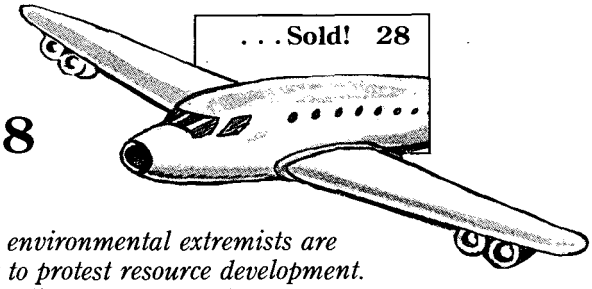

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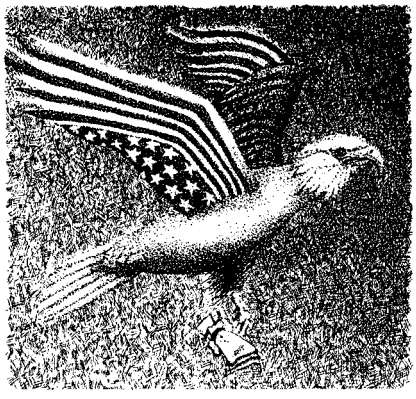

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NOTEs

Senior Fellow Tibor Machan has returned from his semester of teaching at the State University of New York, Fredonia, New York. In addition to his research and conference direction at the Reason Foundation, he teaches in the Economics Department at the University of California, Santa Barbara. Machan has completed a chapter on pollution and political theory for a book on environmental ethics to be published by Random House. His review of F. A. Hayek's *Law, Legislation, and Liberty,* vol. 3, appeared in the September issue of the *Philosophy of the Social Sciences.* He has also written a paper on individualism and political authority for the *Monist,* a journal edited by our contributing editor John Hospers.

Other REASON people have been busy of late. A collection edited by Foundation trustee M. Bruce Johnson, *Resolving the Housing Crisis,* was published last fall and won praise from the *San Francisco Chronicle.* Spotlight columnist Patrick Cox has had two op-ed pieces in Gannett's new *USA Today,* one on the drug laws and crime and the other on social security. Executive editor Marty Zupan's December editorial on welfare has been reprinted by the *Warner Robins Independent.* And frequent contributor John McClaughry, a former White House staff member, has been named a visiting fellow at the Heritage Foundation.

A boondoggle has been resurrected. NASA's much-criticized project, the Search for Extraterrestrial Intelligence (SETI), is back, with $1.5 million in the FY 1983 budget. Reporter Robert Sheaffer revealed in our August 1981 issue how NASA had buried the project in its budget under another name and slipped it past Congress after SETI had once been denied funding. This revelation led Sen. William Proxmire (D-Wisc.) to get it axed once again from NASA's budget in 1981, but Sheaffer reports that this time around NASA did a slick sales job on Congress, neutralizing even Proxmire's opposition. As we've said before, we're not against exploring space, but we hate to see the taxpayers' money being used to gratify a few scientists' dreams. In a separate development, Sheaffer and fellow REASON contributor Robert Steiner have announced the formation of Bay Area Skeptics, whose aim is to debunk pseudoscience.

Jack Anderson has picked up on a REASON story. One of his syndicated columns in November contained three paragraphs in support of Joan Bowden, the heroine of our October 1981 article "CETA Fires a Whistleblower." Bowden has sued the government for firing her after she reported questionable practices in the Atlantic City CETA office. She's still fighting the case, acting as her own attorney.

Another big winner was our November cover story, "Cops, Inc." Besides several newspaper write-ups, it's being reprinted by the Department of Housing and Urban Development for distribution to city governments and by the International Communications Agency for distribution overseas. And the *Oklahoma State Trooper* magazine is also reprinting it.

David Brudnoy's December article, "The Missionary's Position on Sex," has led—predictably—to several subscription cancellations. But it is also being syndicated by Network News to newspapers across the country. Meanwhile, Sam Blumenfeld's "The Victims of Dick and Jane" (Oct.) is being reprinted in the *Education Digest* and by the Social Issues Resources Series for high school use. Blumenfeld has also done a number of radio interviews as a result of the article.

In November I journeyed to San Francisco, where I spoke before the League of Women Voters on privatization of city services and at the Economics Roundtable on deregulating urban transit. Also in November I addressed the Fullerton Chamber of Commerce on privatizing fire and paramedic services. December found me in Keystone, Colorado, addressing a Shavano Institute conference. I also did a radio interview with San Francisco's KCBS on the 5-cent gasoline tax increase, the subject of my editorial in the last issue.

Does your local library carry REASON? If not, why not give it a gift subscription? Library budgets are very strained these days, which means that up-and-coming magazines like REASON don't get added, while old standbys like the *Nation* get renewed year after year. Our special library gift rate is just *$10 a year.* Why not sign up both your local public library *and* your college library?

—R. P.

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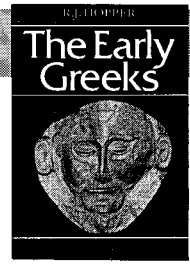

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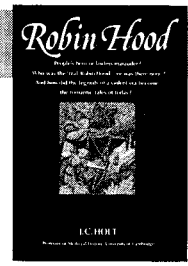

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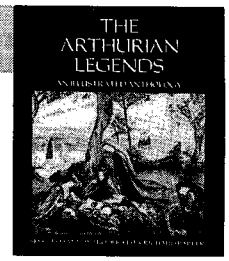

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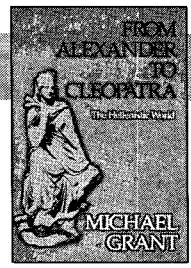

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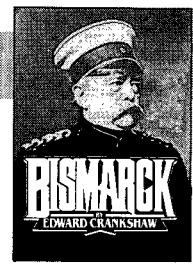

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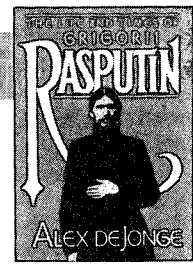

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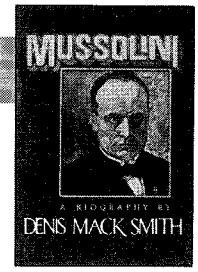

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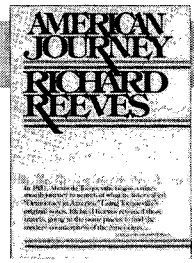

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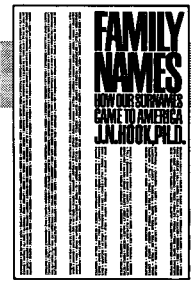

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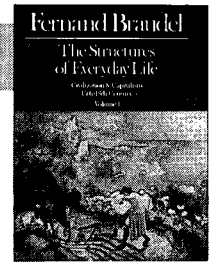

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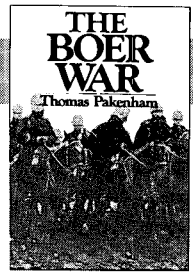

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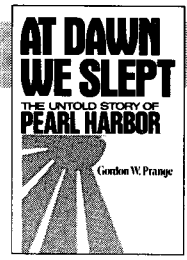

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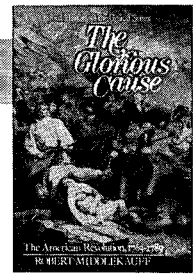

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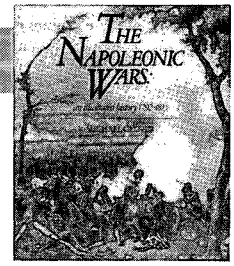

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Shore Up or Ship Out?

The 1982 elections raised the level of demagoguery to new heights on the issue of Social Security. The same pious windbags who set up a pay-as-you-go system but fraudulently called it "insurance," who expanded it pell-mell in the 1950s and '60s, who threw caution to the winds in the '70s by legislating benefit increases that could never be paid—these same "public servants" denounced as uncaring monsters anyone courageous enough to point out that the system *cannot* survive as it is.

In none of the political debates has the full truth been uttered: Social Security is a pyramid club, and like any pyramid club or Ponzi scheme, it must sooner or later come to a halt when it runs out of suckers. Today's short-term funding crunch is but a preview of the system's longer-term crisis. Soon after the turn of the century there will be just two workers for every person retired (instead of the three at work today). Total Social Security taxes would have to be as much as 40 percent to ensure the kind of benefit levels people think they've been promised. Clearly, there is no way workers in the year 2020 will put up with such crippling rates of taxation.

Thus, any fundamental solution to the Social Security mess must come to grips with one basic fact: the politicians lied. They lied when they called it insurance, they lied when they told people their contributions "entitled" them to specific future benefits, and they're lying today when they promise that with a little tinkering everything will continue as before. It won't because it can't. The money is simply not there.

A political reaction to the heretofore invincible clout of "senior power" is starting to appear. Horace W. Brock of Strategic Economic Decisions, Inc., speaks for 131 million Americans under 35 by pointing out the way Social Security discriminates between generations. The average married worker retiring today at 65 gets back his entire Social Security contributions plus accrued interest in just 2.2 years. Yet the payback period for today's 30-year-old who retires in 2015 would be 10.1 years (using realistic assumptions about the economy's performance).

So today's retiree is getting a *400 percent* better deal than the baby-boom generation can expect. And by 2030, retirees will get back *less* than their contributions, according to the Institute for Socioeconomic Studies. Today's Social Security system, concludes Brock, "amounts to institutionalized pickpocketing of tomorrow's elderly by and for the benefit of today's elderly."

Moreover, as Harvard economist Martin Feldstein has demonstrated, basing our retirement system on a pay-as-you-go plan reduces people's incentive to save for their old age. Total US savings are cut in half by the existence of Social Security, Feldstein estimates. The result is a lack of capital investment. Money that would be put into mutual funds and other investments that permit industry to modernize goes instead directly from today's workers to today's retirees. Feldstein has estimated that our Gross National Product is 11 to 12 percent less than it otherwise would be because of this lack of capital investment.

Tragically, the president's Commission on Social Security Reform has dodged the real issues. All it has come up with is a hodge-podge of tax increases and benefit adjustments to allow the system to scrape past its short-term crisis while ignoring the fundamental long-term problem. That is hardly surprising, given that the average age of the commission members is 58. The entire under-45 population has been left out, both in the make-up of the commission and in its recommendations.

Surely chairman Alan Greenspan, who learned many of his social and economic ideas at Ayn Rand's knee, knows better. A whole generation of economic thinkers—Michael Boskin, Milton Friedman, Thomas Sowell, Norman Ture, Walter Williams—have identified Social Security's fundamental flaw and urged *real* reform. Apparently Greenspan the establishment politician has overruled Greenspan the knowledgeable economist.

What do these economists all recommend? All agree that Social Security's welfare function and insurance function are in conflict, that the two should be separated, that the welfare aspects should be handled along with other welfare programs, and that the insurance function could be operated on normal insurance-annuity principles.

The most comprehensive ideas on how to do this have come from Peter Ferrara, now on the White House staff. His transition proposal would phase out payroll taxes, spin off the welfare functions, and rely on an expanding program of Individual Retirement Accounts (IRAs) to take over the insurance functions. People already retired or nearing retirement would continue to receive present benefits during the several-decade transition period.

But where Ferrara's plan would drain up to $40 billion a year from "general revenues" to continue present benefit levels during the transition, we'd suggest a less-costly approach. As the Adam Smith Institute has suggested (p. 12), let's take people at their word that they've paid for their benefits. Give everyone a certificate equal to the value of his or her accumulated "contributions" plus interest. When deposited with an IRA firm, the certificate would be exchanged for a government bond, redeemable when the person retires.

This approach is a compromise between the wishful thinking that people are "entitled" to benefits irresponsibly promised them and the reality that the money has already been spent and is not there. Simply giving people the value of what they have paid in would still cost many billions but could probably be financed by selling off federal assets.

Sooner or later, reality must be acknowledged. Social Security is an issue that affects *every* generation, not just those at or near retirement age. Everyone wants a secure retirement. And we all want a healthy, prosperous economy. Today's Social Security system threatens both. It must be rethought and restructured. For openers, we can throw out the report of the president's commission and start fresh. But we need not start from scratch. The blueprints for real reform already exist. All we need is the courage to work with them.

Robert Poole, Jr.

IT CAN'T HAPPEN HERE?

Pay Day in Germany—1923

DON'T BANK ON IT!

Inauguration Day in Germany—1933

Germany began its *experiment* with inflating at the outset of World War I. In 1914, the value of the mark was 4.2 to the dollar. By 1920, the mark was valued at 39.5 to the dollar. In July of 1923, 493.2 marks equaled one dollar. The government was literally running presses around the clock to print Reichsbank notes. In November 1923, the mark hit bottom—*4.2 trillion marks equaled one dollar* (a wheelbarrow full of money bought a loaf of bread).

The annihilation of Germany's currency—by government inflating—destroyed the middle class, radicalized the populace and paved the way for Hitler. But Germany isn't the only example of *inflationism preceding totalitarianism.* In Russia (1917) and China (1949), Communist governments rode to power on a wave of popular discontent over price inflation.

Could it happen here? Since the Federal Reserve was established, in 1913, the purchasing power of the dollar has steadily deteriorated. In the past decade alone, the dollar lost half of its value—*not as bad as the German hyperinflation, but we're getting there!*

Only by warning the public of the disastrous consequences of inflating can this fate be averted. *The Alliance for Monetary Education, Inc.* (AME) is dedicated to educating Americans about what the government has done and is doing to their wealth. By running this ad in newspapers across the country, and other educational projects, AME is striking a blow for honest money. Won't you help us now—*before it's too late*?

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Letters

Prudent Privatization

Congratulations on your excellent article ("Cops, Inc.") in the November issue on commercial police services. People often think that police protection is the one municipal service that cannot possibly be privatized. You have documented the fact that it is indeed possible, that it is being done, and that citizens receive the same level and quality of police services at substantially lower cost. As more and more taxpayers and elected officials become more aware of the advantages of prudent privatization, the trend will surely grow, to the benefit of all.

E. S. Savas
Assistant Secretary
Department of Housing and Urban Development

Going after the Big Guns

I don't know what justification is used by the government so as to store helium for possible use by future generations, nor has Joseph Martino told us ("Inheriting the Earth," Nov.). But why should Martino, in his otherwise excellent article, use such a trivial example of government directing our tax dollars for some "insurance" investment? Why not look at where the really big bucks are going—toward national "defense"? Building a mighty arsenal for some possible future war against the Red Menace—at the risk of wrecking the domestic economy and precipitating war—can also be seen as an "exercise in coercion," lessening our freedom to use our hard-earned wealth! Which is more onerous to the taxpayer: saving helium, or building planes, ships, tanks, bombs, etc.?

Also, I know of no evidence that "most futurists" favor limiting freedom to increase the welfare of future generations. Can Martino supply any? Otherwise, it is a superficial "straw man" argument that glosses over the reality of multiple political positions on multiple axes of contention.

Michael Marien
Editor, FUTURE SURVEY
Lafayette, NY

Mr. Martino replies: Defense does take more money than does helium conservation, but the latter is a better example for two reasons. First, defense provides some benefit in the present as well as the future. Helium conservation is an absolutely pure example of present sacrifice for future benefits. Second, there is indeed waste in defense, in the sense that we are buying some things which would be worthless even if we had a war. Helium conservation is not wasteful in this sense, because if helium becomes scarce, conservation will have been useful. The point is that even if helium conservation turns out to be a good thing, it is an activity inappropriate for government. Private speculators should be risking their own money, instead of the government risking the money of all of us. Defense, on the other hand, is one of the few legitimate functions of government.

Antiaging Debate

We have a few comments about Lowell Ponte's "review" of *Life Extension: A Practical Scientific Approach* (Dec.).

1. It was not a review of the book but an emotional personal attack on us. Ponte did not attempt to analyze the technical contents of the book.

2. Throughout the "review," illogical comparisons are made, for example, comparing intervention in aging processes with intervention by leftist social planners in free markets. In one insidious comparison, Ponte mentions the use of LSD in the 1960s and then immediately points out that Hydergine®, an antiaging prescription drug discussed throughout the book, is an ergot derivative like LSD. Not mentioned is the fact that Hydergine® is very different in its effects; for example, it is nonhallucinogenic and does not produce a "trip." This is yet another attempt to discredit us by insinuation.

3. The article is patently false in claiming that we have "never been employed to research this field [biological gerontology] in any scientific or major academic institution." In fact, over the past 10 years, our major source of income has been as paid scientific consultants, with much of this work being in the field of aging research. We have focused on commercial research and development; hence, we have not published in scientific journals. In the past few years, we have suggested or designed experiments for other biological gerontologists that will eventually be published. One of these showed that Hydergine® is a powerful antioxidant, explaining many of its unusual brain-protecting effects.

The data concerning these collaborations and our paid work in aging research have been sent to REASON. In order to protect our privacy and that of the corporations involved, we cannot permit these data to be published. We have received many thousands of letters from desperately sick people, some of whom have admitted hiring detectives to try to find us. Some of our consulting customers have been subjected to similar harassment.

4. The fact that our work has not been published in peer-reviewed journals does *not* mean that it has not been subjected to peer review. The grants (nongovernmental) we receive involve review of our scientific proposals by selection committees composed of reputable and well-known scientists in the field of biological gerontology. For example, our 1976 proposal to investigate the possible life-extending effects of growth hormone–releasing agents was reviewed by a number of scientists, including Dr. C. H. Li, the discoverer of growth hormone and its structure. Dr. Li was highly enthusiastic about our proposed scientific study.

5. We have distributed over 100 copies of our book to biological gerontologists, including those scientists who developed the major theories of aging under active investigation today. There has been considerable interest in our thinking and very little criticism from these men and women familiar with work in the field. Every time we attend a scientific conference or exchange of ideas with our scientific colleagues, we are being subjected to a review by our peers. Every time we supply samples of our blood and urine to one of our colleagues, our approach is being subjected to scrutiny by our peers. However, we are not subjected to a formal peer committee's censorship.

6. Finally, we are not impressed that Ponte is a staff science writer for *Reader's Digest.* We do not consider that publication a reliable source for scientific

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information and ideas. We are very surprised that REASON considered this an adequate credential to review a technical book.

Durk Pearson and Sandy Shaw
Palos Verdes, CA

Liberal, Humanistic

As an enthusiastic subscriber to your magazine, I am deeply shocked and wounded by Mr. David Brudnoy's article "The Missionary's Position on Sex" (Dec.). The entire article is blatantly anti-Biblical, anti-Christian, and pro-homosexual. It clearly belongs in the annals of liberal, humanistic publications.

I have been placing REASON in my waiting room, but this article makes it necessary for me to cancel my subscription post-haste. I feel that you have made a grave and fatal error, and unless I am badly misinformed, this will not be the only cancellation you will receive.

Charles H. Howard, M.D.
Richardson, TX

Count Us Out

For a magazine called REASON you are guilty of publishing a very unreasonable article. I am referring to the article on sexual aberration by David Brudnoy.

I do not approve of many of the positions taken by the Moral Majority, and I am certainly against statements made by extremists such as the Rev. Dan Fore. However, the number of these kind of extremists constitutes less than one percent of the population and therefore carry no weight. This article is in extremely bad taste and smells to high heaven; it should never have been printed in a magazine with a title like yours. The sexual deviates, only about five percent of the population, are blowing up their grievances way out of proportion, and the "straights" are getting tired of hearing about it.

My wife and I object to having this trash in our home. Please cancel my subscription.

Jon E. Morse
Mt. Shasta, CA

Of Carburetors And Christians

In the short time I have been reading REASON, I have, until the December issue, found the articles remarkably consistent with the magazine title; that is, reason, in contradistinction to emotion, guided the articles' authors. To use portions of the final paragraph of the December article on racism, every effort was made to "extricate" facts "from... emotive language" so that a "dispassionate analysis" could be made. Then, with a turn of the page, one leaves this superb article and discovers, in Brudnoy's article on the New Right, something as out of place as an article on carburetor rebuilding.

I will hasten to add that I am not offended by the subject matter. I believe that the political actions of the Moral Majority, and others similar, are worthy of attention and analysis. But, please, spare us the pages of quotes linked only by name calling and innuendo.

Instead, for instance, a little effort would have revealed a degradation of teaching quality and effort by fundamentalist Christian preachers, in the last 50 years, which has left the average lay Christian with so weak an understanding of hamartiology that sexual sin is about the only sin he can consistently recognize. His preacher (who, odds are, is probably quite fat—a sin clearly condemned by the Word of God) finds that the condemnation of sexual sins is "safe" for him and thus ignores the others....

I would welcome another article on the same subject, but please, find someone more appropriate than a Brudnoy.

W. H. Shope
San Gabriel, CA

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brickbats

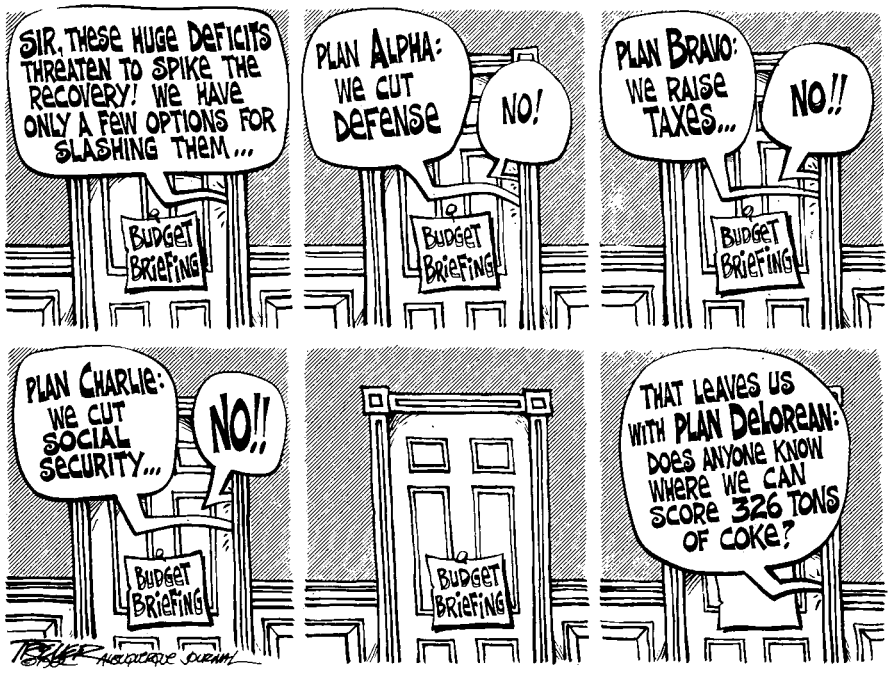
Medical technologists do approximately 90 million urine analyses a year. Virtually all are done manually and take from 7 to 10 minutes to complete. But now a Chatsworth, California, company has devised a machine that can do a urinalysis automatically and in half the time it takes a competent technician to complete one. It would also save a dollar on each test performed. But the Food and Drug Administration seems to have developed a blockage in approving the new innovation, which looks like it won't get on the market for years—if at all. Where are Nixon's "plumbers" now that we really need them?

Twenty-three foreign governments weren't even slightly amused when the mayor of Emerson, Iowa, Jack Evans, reminded them of their debt to the United States. After his appeal to the American government was rejected, Evans sent letters to the other countries, each of which has received $1 billion or more in grants from Uncle Sam since 1945, asking for financial aid for his little city, which was racked by a flood in June. The Netherlands and Norway rejected his request, and the others haven't been heard from. Undaunted, Mayor Evans suggested that the town of 502 people be annexed by Israel so it could collect foreign aid from the United States. Damage from the flood was estimated at $5 million.

The Food and Drug Administration has proclaimed its official version of "truth" embodied in a government-approved list of words. Drug manufacturers who try to use words on their products that the average person stands a chance of understanding are subject to criminal prosecution and fines up to $10,000 per violation. The FDA rule states that labels on over-the-counter drugs must use technical language such as "allergic rhinitis" rather than "hay fever" and "antitussive" rather than "cough relief." Drug manufacturers, who contend the new labels will only confuse patients, surveyed its consumers and found that only 15 percent claimed to know the meanings of the FDA's language—and half of them were wrong. Sixteen persons thought an "antiemetic" was a person who disliked doctors, and one consumer described an "antiflatulent" as a bust developer. A medical magazine has described the FDA regulation as drug labels only Howard Cosell could love.

Firefighters in Charlotte, North Carolina, twiddled their thumbs while a little bit of civilization burned. Several burly firemen stood by and watched while a father and son beat the daylights out of a police officer—because they didn't know what fire department policy was on helping out in such a situation. The cop took about 20 punches in the face, stomach, and groin until some fellow officers rescued him. Firefighter Ronald Hunter was one of the brave civil servants who couldn't figure out what to do. "The officer was in a jam. He was yelling, 'Help me,' but no one moved. I didn't get as physical as I could have because I wasn't sure what our policy was." Will the firefighters be disciplined? Not likely. R. L. Blackwelder, assistant chief of the Charlotte Fire Department, said there is no policy on aiding police officers being assaulted because the problem has never come up before. "We'll have to look into it," he said.

Bird brains on the Miami police force flew off the handle when they arrested lawyer Harold Keefe and a client for what they thought was a major drug operation. The cops wiretapped the client's phone call to Keefe and heard the following: "I've got your kilo of toco toucan," the client said. "What?" Keefe asked. "I've got your bird," the client answered. The cops assumed that *toco toucan* was a code word for cocaine, so they busted the lawyer and his client. It turns out that toco toucan is an exotic banana-beaked bird named Skippy that the client, who operated a wild animal farm, was giving to the lawyer. The case dragged on for 18 months until charges were dropped. In the meantime, Skippy the bird died, but Keefe was instructed to put the bird in his freezer to keep it as evidence in the event the case did go to trial. Now, Keefe says, he'll keep Skippy "as a memento of how this can happen to somebody in the judicial system."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NO!!
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PLAN CHARLIE: WE CUT SOCIAL SECURITY...
NO!!
BUDGET BRIEFING
BUDGET BRIEFING
THAT LEAVES US WITH PLAN DELOREAN: DOES ANYONE KNOW WHERE WE CAN SCORE 326 TONS OF COKE?

The former mayor of Jersey City has written a book affectionately describing the good old days when the shenanigans of boss Frank Hague and his Hudson County crew made Chicago look like a League of Women Voters' convention. His favorite story concerns Barney Duncan, a yeoman Democratic party worker whose loyalty was finally rewarded when Duncan was appointed county commissioner of weights and measures. At Duncan's swearing-in ceremony, a wise-guy reporter asked him, "Barney, how many ounces are in a pound?" Duncan replied: "Hey, give me a break, it's only my first day on the job."

—MARK EDWARD CRANE

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TRENDS

SECURING SOCIAL SECURITY: AN OVERSEAS PLAN

Social Security is not just an American problem. The government-run pension systems of most Western democracies are operated in a similar chain-letter fashion—and are increasingly threatened with bankruptcy. Now a British think tank has endorsed what a small but growing number of Americans see as the only real long-term solution: privatization.

London's Adam Smith Institute sets forth its case in a recent report, *Privatising Pensions.* After analyzing the social security problem in Britain, the report reviews the successful privatization of the Chilean retirement system, begun nearly two years ago (see "Chile's Economic Revolution," REASON, Apr. 1982). It points out that 60 percent of Chile's workers opted for a private retirement plan in the first five months of the program, far above official projections. Moreover, the new system "has brought about a revolution in attitudes to pensions; they are now perceived as personal property, which workers themselves have earned. Previously people tried to avoid contributing to what was perceived as simply another tax. Now it is quite the reverse."

Although the advantages of private pensions are many, the real problem is making the transition. In recommending such a program for Britain, the Adam Smith Institute stresses a key feature of the Chilean approach. While people already covered by the preexisting government system can remain within it (all *new* workers after Dec. 1, 1982, can choose only a private plan), they are encouraged to switch to a private plan. To facilitate such transfers, every social security recipient receives an acknowledgement slip stating the value of his or her accumulated contributions. These slips can be transferred to a private pension company as the person's initial investment. But to prevent a large cash drain on the government's treasury, the slips are exchanged for nontransferable bonds that are redeemable when the person retires.

No quantitive analysis of the fiscal effects of social security privatization is included in the report, so it is hard to see whether there would still be a drain on the taxpayers during the transition years. But the report is a solid first step. It is good to see our English friends thinking along these lines.

CAB CURBS CUT

In January 1982 the US Supreme Court held that cities are not exempt from the antitrust laws. When they grant monopoly status to private firms, or otherwise restrict competition, their actions can be challenged in court.

The implications of that decision have been sinking in. One of the impacts has been a move to deregulate the taxicab business. Honolulu's corporation counsel issued a ruling in October declaring that the city's limit on the number of taxicabs was "not...legally enforceable." State law permits a limit only to protect public safety, not to enhance the economic prospects of existing firms. The day after the 1,388-cab limit was lifted, 45 new licenses were issued and 70 other applicants were turned away because they had not filled out the necessary forms.

A similar deregulatory measure was enacted in November in Santa Barbara, California. The city council eliminated from the municipal code sections restricting entry into the taxi business by requiring new applicants to prove that existing firms are providing inadequate service. Henceforth, any firm that pays a nominal fee and has insurance can enter the market. The change was made on the recommendation of the city attorney to avoid antitrust problems.

Deregulation is also being proposed in Colorado, where control over taxicabs rests with the state Public Utilities Commission. State Sen. Don MacManus proposes to remove the PUC's requirement that new applicants prove that a public need is going unserved. The requirement has been used to preserve a near-monopoly by Yellow Cab of Denver in both Denver and Boulder.

MacManus and his supporters point to successful deregulation in other cities. Since San Diego and Seattle deregulated both fares and entry several years ago, their numbers of cabs have increased dramatically and fares have gone up less than the consumer price index. San Diego paratransit administrator Barbara Lupro told *Rocky Mountain News* that "there are more cabs out there, and they're hungry." Consequently, they've had to seek out new markets rather than just concentrating on the airport and downtown hotels, as cabs do in Denver and other restricted-entry cities.

Another aspect of deregulation involves opening the market to jitneys. Seven 14-passenger jitney vans are now being operated in Indianapolis—by Indianapolis Yellow Cab. Company president Dick Hunt contends: "I could take 500 jitneys and serve the whole city—and I wouldn't need a subsidy," in marked contrast to the money-losing municipal bus line. Thus, while deregulation threatens existing taxi monopolies, it also offers the cab companies exciting new business opportunities offering jitney service.

WORKING POOR NOT WORKING POORLY

The Reagan administration has tightened the eligibility criteria for a number of welfare programs. As a result, the number of people receiving benefits has been cut, though total expenditures are still growing. Most of those now excluded are the so-called working poor—people with low-paying jobs for whom food stamps or Aid to Families with Dependent Children (AFDC) provided supplemental assistance.

Welfare supporters had argued that the Reagan cuts would be counterproductive because the working poor would decide in large numbers that they were better off quitting work and just taking welfare. In fact, however, this isn't happening. Princeton University's Urban and Regional Research Center has been assembling data on the number of cut-off recipients returning to the rolls. In New York City after six months, the figure was only 7 percent, in Connecticut 9 percent, and in New Jersey 11 percent. The average for seven jurisdictions sampled was about 10 percent.

What happened to the liberals' prediction of doom? Apparently, the work ethic is still very strong among the genuinely working poor. Although willing to take welfare supplements if offered, most of these people genuinely want to be self-supporting.

The liberals' fears may have been based on what has happened since 1968 when welfare was first extended to the working poor. According to Charles

Murray of the Heritage Foundation, this well-meaning change, intended to encourage people to become self-supporting, actually subsidized people to stay in low-paying jobs or to rely exclusively on welfare. That's the only explanation Murray can find for the huge growth in welfare spending since 1968 and the end to what had been a several-decade decline in the percentage of those in poverty. Today, however, most of those who don't want to work have already been filtered out; the remaining working poor are basically people who do want to work—and are continuing to do so.

Is there hope for further cuts in welfare spending? Heritage analyst Jonathan Hobbs thinks federal welfare spending could be slashed by *75 percent.* The 49 major programs—including AFDC, Medicaid, food stamps, and Supplemental Security Income (SSI)—will total $413 billion in fiscal 1983. Yet every single poor family (as classified by the government's poverty threshold) could be lifted out of poverty by spending just 26.6 percent of that amount ($110 billion).

Where does the other $300 billion go, then? Well over $100 billion goes just to pay the 5 million poverty bureaucrats administering these 49 programs. Another large chunk goes to people who aren't poor. If a Massachusetts computer check of bank records is representative, about 10 percent of AFDC, Medicaid, and food stamp recipients have too much money to qualify. According to the Food Research and Action Center, two-thirds of the students who were eliminated from the school lunch program in the wake of 1981 funding cuts are not poor, nor are 41 percent of those who have been dropped from the school breakfast program.

For a full analysis, we'll have to wait for Hobbs's forthcoming book, *Farewell to Welfare*, to be published this spring. But it should be clear, already, that there's room for radical surgery.

MONEY FUND SAFETY STRATEGIES

The idea of privatizing bank deposit insurance has been floating around recently both in this country and in Switzerland (see Trends, Nov. 1982). Now there is talk of privately provided insurance for deposits in money market funds.

The *New York Times* reports that the mutual fund industry was surprised and dismayed by new legislation and federal agency rules that allow banks and savings institutions to offer accounts very similar to money market funds. The industry claims that it has been put at an unfair disadvantage: while the new account offered by the banks and S&Ls is insured by the federal government, a money market account doesn't enjoy such government perks.

David Silver, president of the Investment Company Institute (the mutual fund industry's trade association), said in a recent speech that the industry's response to the problem is to explore "methods through which money market funds' investors who are seeking maximum safety consistent with the convenience and high returns available from money market funds can be reassured that their money is as safe as we in the industry know it is." One such method, still at the level of informal discussion, is private insurance. (Other possible defense tactics being considered by the industry, according to the *Times*, include lowering minimum deposits for money market accounts and following the example of the Dreyfus Corporation by trying to establish banks.)

The money funds have skyrocketed in the last three years—total assets have grown from $55.9 billion at the end of 1978 to around $300 billion by the end of 1982. Part of the reason for this growth is that higher interest rates offered by money markets have lured depositors from banks and S&Ls. At a time when security of investments is especially important, it will be interesting to see how skillfully the mutual fund industry grapples with the challenge and whether private insurance becomes part of their strategy.

FIRST AMENDMENT TRAVELING THE AIR WAVES

The Federal Communications Commission (FCC) continues to push for returning broadcasting to the marketplace, free of government controls. In recent weeks:

- FCC chairman Mark Fowler proposed that the government abandon regula-

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tion and let the market determine who uses the airwaves;

- Fowler next asked the commission to relieve TV broadcasters of requirements that they devote specified percentages of time to nonentertainment programming, keep detailed logs, and conduct community surveys (radio broadcasters were freed from these controls in 1981);
- The FCC repealed its 20-year ban on "trafficking" in radio and TV station licenses. The measure removes a three-year waiting period before licenses can be resold; Fowler argues that it will make more stations available for purchase and attract venture capital.

What lies behind these actions? And where is broadcast regulation heading? A detailed answer is provided in a February 1982 *Texas Law Review* article, "A Marketplace Approach to Broadcast Regulation," coauthored by Fowler and his legal assistant Daniel Brenner. It traces the history of the "trusteeship model" applied to the frequency spectrum by Congress and the FCC, contrasts it with a marketplace model, and seeks to show that various Supreme Court decisions don't forbid the FCC, in its role as guardian of the public interest, from moving to the marketplace model.

The law review article was excerpted last summer in *Broadcasting* magazine, creating quite a stir. Fowler may have made a tactical mistake by suggesting that, in exchange for removal of regulations, broadcasters pay an annual "spectrum fee" to the government, to be used to subsidize public broadcasting. That idea has not pacified critics of deregulation but has roused the opposition of most broadcasters. It has also been attacked as a poor idea by economist Douglas Webbink, former deputy chief of the FCC's Office of Plans and Policy, in a proderegulation "Backgrounder" for the Heritage Foundation.

One of Fowler's strongest arguments for deregulation—the First Amendment—is picking up new support, however. Columnist William Safire put the issue squarely in a recent column: "Either apply the Fairness Doctrine [and other regulations]...to newspapers, or stop applying those standards to broadcasters." Answering his own question, Safire pointed out that "freedom is in the Constitution and fairness is not." Weighing in soon after in support of this view was none other than *New York Times* publisher Arthur Ochs Sulzberger. In a speech at Columbia University, Sulzberger termed the fairness doctrine both unfair and obsolete. "The line between print and electronic journalism is thin at best and getting thinner. Any oversight of free speech is not the role of government." Indeed, he said, "It is time for print publishers to join with their electronic brethren to close this First Amendment gap."

NEW WAVE OF OCEAN RESEARCH

It seems like only yesterday when Jacques Cousteau shocked and alarmed us with sights of beer cans, garbage, and oil slicks in the ocean. Environmental groups warned that if we didn't do something, before long the oceans—the source of life on earth—would die from mankind's pollution. Not only did this message generate funds for well-meaning groups, it also helped mobilize political support for UN efforts to create an all-encompassing Law of the Sea regime.

But now that that effort has been partly derailed by the Reagan administration (see "Sink the Floating OPEC," Oct. 1982), it's time for a second look at the oceans. And that's just what's been provided by a 112-page report from the United Nations Environmental Program. The result of a four-year study by nearly 100 marine scientists, it states that except in coastal regions the oceans are rather healthy after all. "We overestimated the problem 10 years ago," acknowledged Yugoslav marine scientist Stjepan Keckes, referring to the alarmist 1972 Stockholm Environmental Conference. "We didn't have the facts then, but now, we do, and they say that talk of the death of the sea on a global scale is groundless," he told the Reuters news service.

Currents and chemical processes break down most waste, even oil, and disperse it with little or no trace, the study found. The ocean floor shows little sign of any build-up of wastes. There is no general public health risk from metal concentrations in the seas. Only in certain coastal zones are there risks of dangerous pollutant build-ups, and these can be handled on a local or regional scale.

In short, there is no need for a coercive UN ocean regime to save us from ourselves.

EX-IM BANK FLIES HIGH— ON TAXPAYERS' TAB

It is no surprise that the Export-Import Bank—the Rolls Royce in the garage of government welfare programs for business—has been among the biggest losers in the Laker Airways bankruptcy. *Aviation Week* reports that Ex-Im had loaned Laker $86 million to buy five McDonnell Douglas DC-10-30 aircraft in 1980 and guaranteed a second loan of $73.6 million; so when Laker Airways capsized last year, Ex-Im repossessed five planes now valued at $100.9 million.

Of course, the story may have a happy ending. The aircraft could very well find a new lease on life with the Air Force,

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which is considering the acquisition of two of the planes for presidential travel. Perhaps "Ron" could be stenciled on one and "Nancy" on the other (in the event, we could certainly be thankful for a monogamous chief executive). As it is, the Laker affair increased Ex-Im's fiscal 1982 deficit from $110 million to $160 million. That may sound like quite a sum for a bank, even one under government auspices, to lose in a year. But the bank's own president and chairman, William H. Draper III, predicts that Ex-Im may suffer an operating loss of $260 million in fiscal 1983, the biggest loss in the bank's history.

Ex-Im has had few friends among liberals in recent years, but conservatives have also begun to notice how the millions are adding up. In the legendary *Atlantic* article in December 1981, David Stockman, director of the Office of Management and Budget, related how he argued in a White House budget meeting for cutting Ex-Im's subsidies to corporations. When his counsel was resisted, he said, "I went into this demagogic tirade about how in the world can I cut food stamps and social services and CETA jobs...and you're going to tell me you can't give up one penny for Boeing?" (Boeing is one of the biggest beneficiaries of years of government subsidy of US exports.)

More recently, Sen. Jesse Helms (R-N.C.) has been circulating in Congress a cost-benefit study of Ex-Im's loan subsidies. It figures that the bank's indirect costs to taxpayers between 1976 and 1980 were an average of $200 million every year. The report by John Boyd, senior economist for the Federal Reserve Bank of Minneapolis, shows that Ex-Im's lending is "indeed subsidized and much more heavily than previous studies have suggested."

Last October, the influential conservative columnist Donald Lambro reviewed the case against Ex-Im in his syndicated column. Lambro concluded, "The old arguments that Ex-Im helps create jobs at home while the loans pay for themselves no longer hold water."

MULTIPLYING HOUSING

It would be wonderful if there were a single painless solution to the housing crunch in the United States, but there isn't. Nevertheless, there are some steps that could be taken to alleviate the problem, and some of them are surprisingly simple.

Martin Gellen, city and regional professor at the University of California at Berkeley, has suggested one such reform in a recent study called *Underutilization in American Housing.* He recommends that strict building and zoning codes be relaxed so that new apartments, called "secondary units," can be created in already existing but underutilized single-family housing. He estimates that as much as 15 percent of the nation's housing stock is now "severely underutilized," partly because of a 12 percent decline in household size in the last 30 years and a 28.3 percent decline in the average person-to-room ratio. As the *Los Angeles Times* put it, "Many people are rattling around in larger and larger dwellings while the present housing crisis continues outside." Gellen suggests that doing away with unnecessary government restrictions on secondary units would free the housing market to remedy this imbalance.

Part of the advantage of secondary units is that they are far cheaper than new housing construction. In a supplemental study called *A House in Every Garage: The Economics of Secondary Units,* Gallen points out that "because construction costs have been rising faster than incomes, secondary units represent the only form of affordable housing that can be produced today at a profit in large quantities and without subsidy....[Also] they require no addition to infrastructure (such as streets and sewers) and involve no displacement, and therefore involve considerably lower social cost than new construction."

Relaxing zoning restrictions and housing codes may be a sound idea in principle, but politically, it is not so easy. Gellen told REASON that local planning boards are often susceptible to pressure from organized homeowners who angrily defend existing restrictions against any challenge. The *Los Angeles Times* says that housing codes stand "as consecrated tablets next to apple pie and motherhood in the parade of American values vociferously defended at planning commission and city council meetings." Another political problem, says Gellen, is that politicians are accustomed only to traditional solutions to the housing problem such as building more units or granting subsidies. In fact, many municipalities effectively penalize secondary unit conversion by reassessing the new units at a

METHOD, PROCESS, AND AUSTRIAN ECONOMICS

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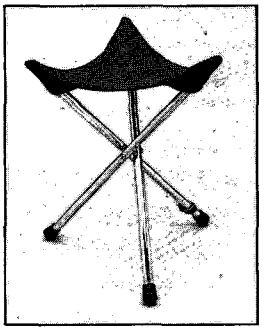
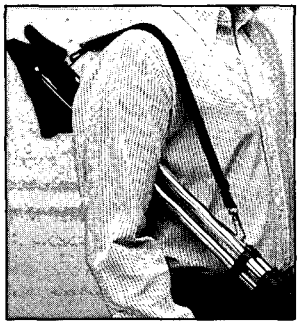
Butterfly Stool





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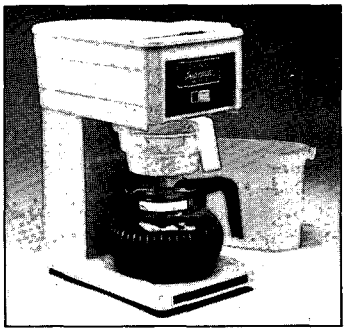
Coffee Service Par Excellence



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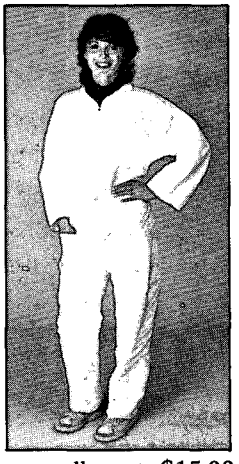
Industrial Coveralls



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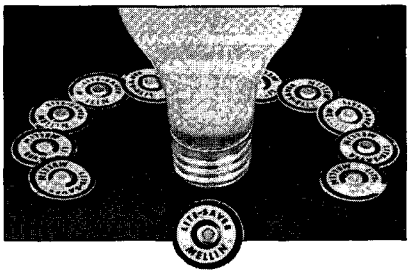
Lite Savers



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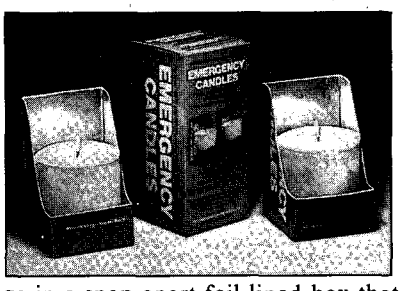
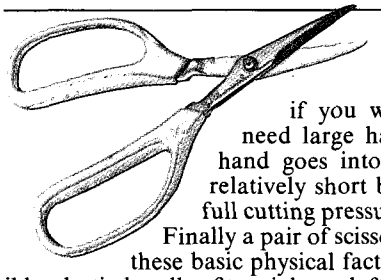
Emergency Candles

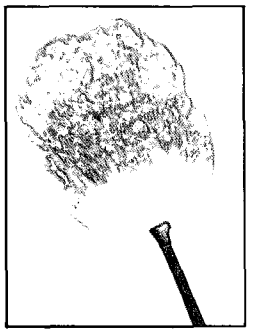


Most candles are poured hot wax. Our emergency candles are pressed into shape by a hydraulic process, making them notably denser than ordinary candles. As a result, they are very slow burning—a single 3" x 3" candle lasts 50 hours or more. These candles come 2 to a package in a snap-apart foil-lined box that makes its own flame protector windbreak candleholders. The candle wax has a high melt point (155°), so that candles store well even in unfavorable conditions such as a car trunk. We can supply 2 boxes of emergency candles (a total of 4 candles)—8 days and nights of continuous light—for **$14.00** ($2.95) #A672.

The World's Most Sensible Scissors



Most scissors are built backwards, with long blades and tiny handles. But if you want to exert leverage, you need large hand grips (so more of your hand goes into operating the scissor) and relatively short blades (so you can maintain full cutting pressure along their entire length). Finally a pair of scissors has come along reflecting these basic physical facts. The generously large flexible plastic handles fit a right or lefthanded person equally well and the blades are made of high carbon tool steel (for sharpness and strength) and are chrome finished (for protection from staining). They are marketed primarily as gourmet kitchenware and they are superb in that role. The tapered points let you get into small places cutting chicken, fish, lobster shells, small bones and so forth. But these scissors are equally at home in the workshop, garden, office or hobby center. These Joyce Chen scissors cost **$13.00** ($1.95) #A411 a pair.



Dust Magnet

If we ever compile a book on *The Old Ways That Were Better Ways,* we will certainly include a chapter on the lambswool duster. This remarkable implement originated, the best we can tell, in 19th-century England where it quickly put the feather-duster to shame. On its own it actually attracts and holds dust like a magnet. The static charge in the lambswool causes dust literally to leap off surfaces where it has accumulated, making this just the thing for dusting bric-a-brac, china, crystal, pictures and other fragile items. When soiled, just wash it in warm soapy water. We are happy to offer a 20″ long authentic lambswool duster for **$8.00** ($1.95) #A163.

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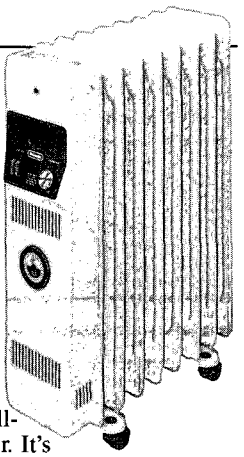

Here is a heater with the sophistication to automatically start warming your bedroom or bathroom before you get up! The secret is the *built-in timer—it lets you program this portable heater to go on and off in 15 minute intervals day or night.* It's filled with a special diathermic oil that never needs replacing. It has three heat settings (600w, 900w and 1,500w) and provides a maximum of 5,100 BTUs. A built-in thermostat responds to room temperature, but this heater never gets dangerously hot, making it perfect for a child's bedroom or playroom. This unit has easy-roll wheels for portability and all-steel construction in a neutral oyster color. It's 18″x8″x25″, weighs 38 lbs. and is UL listed. *This model with automatic timer is not generally available in stores* and costs **$150.00** ($12.95) #A485.

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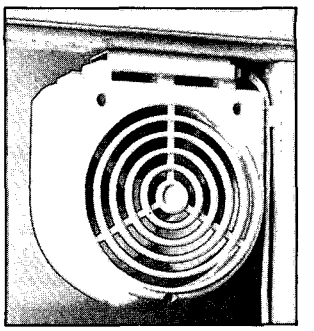
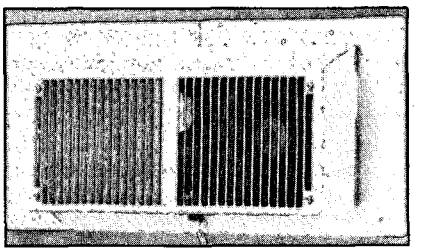
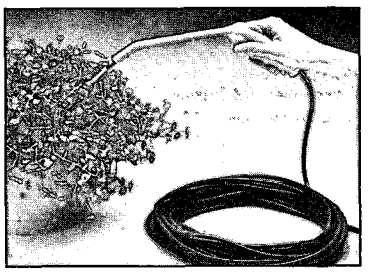


Good air circulation throughout your home means increased comfort, heating efficiency and uniform temperature. But every home has its problems, whether it's high ceilings, unusually large rooms or later additions. Here are two excellent ways to help *direct* the air and *balance* the temperature. The **room-to-room temperature balancing fan** (shown at right) mounts high in the frame of a doorway (doors can still be closed) where it recirculates warm air down into the room. The fan has a 110 volt motor with a 10 foot cord and an in-line switch. It weighs just 2 lb. 3 oz. and measures 5½″ x 5″ x 3½″. **$28.00** ($3.95) #A397. The **register fan** (shown below) fits right in the register outlet, sucks heat up the duct and pushes it out into the room. A heat sensor in the switch turns the fan on automatically as the heat comes up (there is also a manual control, which means you can use it in the summer to move the cool air off the floor and up into the room). The booster fan (actually it is two small 4″ fans running together) fits all registers up to 6″ x 14″ and plugs into any electrical outlet. It comes with 9′ of cord and costs **$40.00** ($3.95) #A536. You may buy both fans together for the special price of **$60.00** ($6.95) #A667.



Watering Whiz



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much higher tax rate than the actual cost of the improvements can justify.

Still, all is not hopeless. In November, the California legislature passed a bill that will compel cities and counties to permit secondary units on at least some of the lots now zoned for single families. Gellen says there are gaping loopholes in the legislation (for example, if a suburb already has an area of single-family dwellings on large lots that it allows to be converted to duplexes, the suburb won't have to do anything new). But even as a symbolic gesture, it's a giant step.

UP IN SMOKE

There are at least two ways to look at sellers of water pipes, roach clips, and other drug paraphernalia. From one perspective, they're simply honest business owners selling accessories for an activity—drug use—that coerces and defrauds nobody. From another perspective, paraphernalia sales lead directly to the commission of heinous crimes and should be outlawed.

The California legislature and former governor Jerry Brown evidently subscribe to the latter view—or at least pandered to those who do. Last September they enacted an "anti-headshop bill" prohibiting the sale of drug paraphernalia as of the beginning of this year. A couple months after the bill passed and was signed, the *Los Angeles Times* noted that several headshops were capitulating to the new edict. "BUY NOW OR MAKE YOUR OWN LATER!" warned a sign near the entrance to the Record Retreat, a small Los Angeles record shop. The Record Retreat's coowner told the *Times*, "The paraphernalia section has always done good business, but if it is going to be a hassle, then I won't sell. I don't want to lose my [business] license."

But other headshops are a bit more feisty and inventive. In response to an earlier, local antiparaphernalia ordinance, the Loading Zone in Thousand Oaks continues selling what appear to the untrained eye to be the same products, but they're being sold with radically different marketing techniques. What was formerly a bong pipe for marijuana is now an "herbal smoking pipe." Roach clips have been magically reincarnated as memo holders and hat ornaments. The shop has posted signs such as, "These items are intended for use with herbal smoking mixtures, tobacco, or snuff," and, "Any reference to illegal usage will result in refusal of service." The Loading Zone is still in business.

It's too early to know whether creative marketing will be sufficient to circumvent the new statewide law as well; but Steve Hollowell, who chairs an organization of headshops called the California Progressive Business Association, says that enforcement of antiparaphernalia laws in other states has been a resounding flop. Even though 32 states have enacted such statutes, paraphernalia is still sold everywhere in the country except Nebraska and southern Florida, where litigants got tired of being harassed by the government and conceded. Even within California, the Thousand Oaks experience is not unique: San Diego has had a total ban on paraphernalia for two years (enacted with the active support of then-Mayor Pete Wilson, now in the US Senate), yet the ban has never been enforced. So it is conceivable that the obnoxious new state law, like the dodo, will waddle into oblivion and never be seen again.

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RENT-A-BOOK MAKES A COMEBACK

What if government didn't operate libraries? Could people have access to books without having to buy them? The answer is the commercial lending library, an institution few people under 30 have heard of. Yet today they are making quite a comeback.

The basic idea is for bookstores, drugstores, and other retail outlets to lease or purchase large numbers of copies of popular books and rent them out to customers for short periods of time. In the years just after World War II, lending libraries were very common, and there were four wholesale suppliers just in the New York area, according to the *New York Times*. What did them in was the growth of paperback books at 25¢ to 50¢ apiece. By the late 1960s, lending libraries had become nearly extinct.

But today's high book prices have given the industry a rebirth. Womrath Rental Libraries, for example, has 300 lending libraries in Connecticut, New Jersey, New York, and Pennsylvania. Most are in bookstores, but a few have been set up by companies like Avon and Citibank as employees benefits. Thus far rental libraries seem to be concentrated on the East Coast, with just one company (Cobler Book Stores) offering them in Houston, for example.

Bookstores like the idea because it builds traffic and makes at least a small profit. Readers like it because the rental libraries have enough copies on hand that they don't have to endure long waits for a bestseller, as happens at public libraries.

Rental libraries cannot substitute for all the functions of a public library. But they do an excellent job of bringing popular books to the public, which is, in fact, one of the public library's major activities.

TREATING AILING WELFARE STATES

It would be too much to say that the cradle of the welfare state, Western Europe, is now becoming its grave. But there has recently been a substantial reduction of welfare-state programs' scope and cost in nearly every country in western Europe, and the changes have often come about with far less political anguish than might have been predicted.

Last October, the *Economist* suggested that the main threat to European welfare states is "posed not by mean-minded conservatives, . . . but by the sheer cost of maintaining welfare programmes at a time of little or no economic growth." Rising unemployment has more than doubled the cost of unemployment benefits in some countries, and spending on medical care has increased as the relative percentage of old people has increased.

In Britain, the Conservative government has already cut unemployment benefits and welfare benefits. But the Socialist Mitterrand government in France, confronted with enormous budget deficits, has also proposed reductions of increases in welfare payments and elimination of some minor medical benefits (hospital patients now have to

pay for food and other nonmedical services). And Denmark—one of the most extensive welfare states on the continent—has its first Conservative prime minister in this century, Poul Schluter, who has suspended compulsory wage indexation and implemented a plan to cut government spending by about 6 percent (this in a country that had a budget deficit equal to 12½ percent of the gross national product).

West Germany's new Christian Democratic government led by Helmut Kohl has delayed increases in pensions; as of July, pensioners will have to contribute to the national health insurance; and beginning with the next academic year, student grants will be repayable in full once a student starts earning a living. Germany's labor minister, Norbert Blum, said, "We are faced with only one choice—caution or demolition. And as I am against the demolition of the social welfare system, I regard a breathing space as absolutely necessary."

Fiscal austerity may seem only sensible to moderate or conservative governments, but it often poses thorny ideological problems for socialists. Late last year, Sweden returned to power the Social Democratic party on a platform of strengthening the welfare state and implementing new state control over the economy. It's anyone's guess how long the Swedish socialists can stave off the problems plaguing their Western European brethren.

In any case, the Swedish steadfastness contrasts with the pragmatism of French Socialists. Some dissident leftists in France have questioned the government's commitment to socialist ideas, but one pro-Mitterrand journalist, Jean Daniel of *Le Nouvel Observateur*, defends the government's reductions in spending as austerity with a human face. "It is wrong to declare that this policy constitutes a 'moderate' policy," he wrote. "It is scandalous to say that it is less 'leftist'; on the contrary, it is created by and for the people." Of course, a rose by any other name smells just as sweet.

A VOTE HEARD 'ROUND THE WORLD

Every revolt against oppressive government interference has to start some time. In the 13 colonies, it was the battle at Concord. In France, it was the storming of the Bastille. In Tehama County, California, it was the passage of Measure A.

The voters of this pastoral county in northern California approved an extraordinary ballot measure last November called the "landowners' bill of rights" that strikes down virtually all zoning laws and other legal controls on private land. The *Los Angeles Times* reports that, among other things, it forbids restrictions on building on private property, including acreage for crops; abolishes requirements that property owners who develop land in isolated country areas must pay the cost of building roads or other improvements; and forbids the county from using eminent domain for roads and from metering private water wells.

Apparently the impetus for Measure A was a land-use plan commissioned by the county government and produced by consultants from San Francisco. Unveiled in early 1982, it called for strong controls on the development of agricultural land, which angered property owners. A small group of citizens organized and, with a campaign chest of $2,500, won at the polls.

As might be expected, officials of Tehama County's two cities are challenging Measure A in the courts. Their attorneys claim it can be struck down, while an attorney for the citizens who promoted Measure A is confident it will be upheld. REASON will keep you posted.

DEREGULATION FLIES TO EUROPE

The basic charter of the European Economic Community (EEC), the Treaty of Rome, requires free competition for all businesses within the Common Market. Yet airlines remain heavily regulated and subsidized. At long last, however, the breezes of deregulation have reached Europe's skies.

The opening shot was a major study by the European Civil Aviation Conference (ECAC), released last fall. It documented for the first time the full extent of government control of commercial aviation. It turns out that capacity is limited on 90 percent of all European routes. In addition, the report revealed the little-known existence of "confidential supplementals" to published intercountry aviation agreements that further restrict service.

The ECAC study shocked the European Parliament into insisting that the EEC develop plans for deregulation—or the Parliament will take the EEC to the Euro-

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pean Court of Justice for violating the Treaty of Rome. *Aviation Week* (Nov. 8) predicts that the EEC will respond first by issuing a policy statement limiting the extent of subsidies any government can make to an airline. The next step will be to open new markets to commuter and regional airline service. (Such a move was expected by year-end.) The third step, expected sometime in 1983, would be for the Council of Ministers to allow more freedom in setting fares. And the fourth step, probably in 1984, would be setting up EEC procedures to monitor and oversee competition.

The consensus seems to be against "radical" US-style deregulation, but once the process begins, it is not clear how far or how fast it will go. The British are taking an early lead, having largely deregulated air freight pricing in November. In addition, aviation minister Iain Sproat overturned a Civil Aviation Authority decision last summer and allowed investor-owned British Midland Airways to compete with state-owned British Airways on routes from London to Edinburgh and Glasgow.

Sproat is very favorably impressed with the results of the increased competition spawned by deregulation in the United States. Despite the recession and the bankruptcy of Altair and Braniff, US regional airlines—the most aggressive competitors—had a banner year in 1982, with traffic growth estimated at 17.5 percent. Among the winners were Midway Airlines, People Express, and US Air.

PICKING UP ON COMPETITION

From the suburbs of Tucson comes a reminder that the principles of free-market economics extend even to the humblest and least glamorous aspects of daily life—such as garbage pickup.

For years, the government of Pima County, which includes the metropolitan Tucson area, had carved the suburbs of Tucson into refuse duchies, as it were, and given private companies exclusive franchises for garbage collection in those areas. About seven years ago, however, when a private company applied for a franchise to do business in an area already designated as another company's turf, county attorney Rose Silver discovered that the entire policy of granting franchises exceeded county government's statutory power under Arizona state law. Pima County proceeded to open up the refuse collection market. Now, according to county official Robert Prothero, any vehicle that passes a minimal safety inspection can receive a permit from the Pima County Health Department to pick up garbage anywhere in the county outside the Tucson city limits—and the vehicle's owners can charge whatever price the market will bear.

What has been the result of removing the old encumbrances to the marketplace? For one thing, the number of refuse collection companies has grown dramatically: while there were only two companies just before the new policy was implemented, there were 15 by the end of 1982. Another result of competition has been lower prices for customers. Mom-and-pop operations such as John and Bonnie Rodney's Avara Valley Disposal charge only $10.50 per quarter for garbage pickup compared to $22.50 charged by SCA Services, a nationwide company that had been the biggest beneficiary in Pima County of the earlier system of exclusive franchises. (Incidentally, the success of small companies like the Rodneys' is an interesting commentary on the economies-of-scale argument often used by proponents of exclusive franchises for large firms.)

So far, the siren song of free enterprise in garbage collection has not been heard by the Tucson city fathers, who retain jurisdiction over garbage collection inside Tucson. But the attractiveness of low prices and competitive services enjoyed by their suburban neighbors may eventually prove irresistible even for the most conservative Tucsonians.

MILESTONES

• *Socialists' accomplishments.* Even if their economic theories leave a great deal to be desired, the new Socialist governments of Greece and Spain are increasing personal freedom. In office since late 1981, the Papandreou government in Greece has lifted a requirement of baptism for legal status, increased freedom of speech, outlawed torture, permitted Greeks to marry outside the Greek Orthodox Church, ended laws against adultery and abortion, and will soon abolish the church's monopoly on granting divorces. Similarly, the new Gonzalez government in Spain has pledged to liberalize laws against divorce, contraception, and abortion.

• *"Hash heaven" still flourishing.* Although the Dutch government closed the marijuana and hashish shop in a youth center in Enschede (see Milestones, Jan.) in November—bowing to pressure from the impeccably progressive Swedish government, which threatened to go to the United Nations with charges that the Netherlands was flouting international drug-traffic treaties—Dutch police are still tacitly permitting a large drug trade, according to an Associated Press article. "Everything is illegal," the head of the Amsterdam police narcotics squad explained to a reporter, "[but] with the shortness of manpower, we have to make priorities."

• *Antisodomy law struck down.* In September the US District Court in the Northern District of Texas declared that a Texas statute prohibiting "deviate sexual intercourse with another individual of the same sex" is an unconstitutional impingement on the right of privacy and the Equal Protection Clause. The court said, "Every individual has the right to be free from undue interference by the state in important and intimate personal matters."

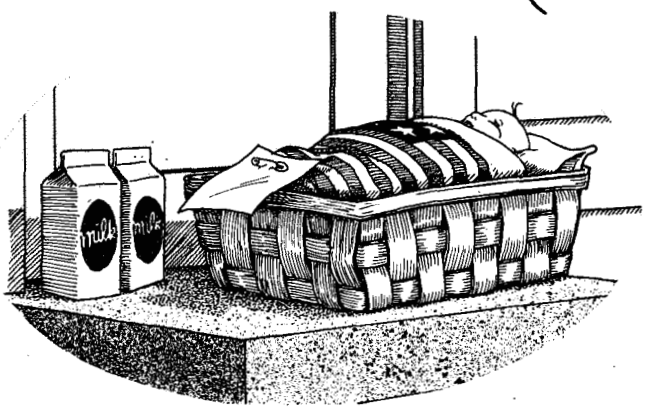
• *Academic gravy train lambasted.* Retiring California State University trustee Charles Luckman, in a farewell speech, said it is "a sham and a pretense" for the CSU board to continue opposing tuition while they're approving increases in student fees (which were doubled last year to more than $400). He called for charging tuition for "those who can afford it." The tenure system, he added, has become "a frightfully expensive way of guaranteeing employment to a special group" and has saddled the CSU system with much "dead wood."

• *Creationism law axed.* A federal judge in New Orleans has struck down the Louisiana legislature's requirement that public schools teach so-called creation science along with the theory of evolution. The court ruled that the law violated the state constitution, since only the state board of elementary and secondary education and not the legislature may mandate the teaching of a particular course.

• *Legal smog lifts.* A Nixon-era antitrust decree that restricts joint development of smog-control devices by auto makers will be ending, as a result of an order signed by District Court Judge Jesse Curtis. At the request of Reagan administration lawyers and the auto industry, the decree will be scaled down for the time being and will expire completely in five years.

—ROBERT POOLE, JR., AND PAUL GORDON

Cutting the Umbilical Cord



Can family planning clinics survive without government funding?

WHEN MARGARET SANGER and her friends opened the first birth control clinic in 1916 in New York City, they were arrested for "maintaining a public nuisance." Today, nearly 5 million women a year use the services of organized family planning providers, and attacks on family planning are more subtle.

Prodded by the New Right, the Reagan administration and conservative congressional members have mounted a several-pronged campaign against family planning, which since the mid-1960s has been increasingly funded by the federal government. According to Rep. Henry Waxman (D-Calif.), President Reagan lamented to a Republican member of Congress in 1981, "I regret that we do not have the votes to defeat the family planning program."

By L. A. Villadsen

Failing that, the Department of Health and Human Services (HHS) has subjected family planning clinics to a series of harassing audits. Neither these nor a General Accounting Office audit requested by Sens. Orrin Hatch (R-Utah) and Jeremiah Denton (R-Ala.) have turned up serious violations of federal law—using federal funds to pay for abortions, for example, or to lobby for or against legislation.

In 1982, the administration switched tactics, drawing on its regulatory arsenal. In February HHS proposed a new rule for family planning clinics that receive federal funds. The clinics would have to notify parents when prescribing birth control pills or contraceptive devices for teenagers 18 years old and younger. In the 60-day comment period following the proposal of this "squeal law," as it has been called, HHS received a record number of letters, and they were 4 to 1 against it. Apparently knowing a political hot potato when it saw one, HHS did nothing: the regulation has not been promulgated—but it hasn't been rescinded, either.

Then, in November 1982, came another regulatory assault from Health and Human Services. Under proposed new guidelines for hospitals and clinics that receive federal funding for family planning services, these services and any abortion activities would have to be completely separated. Office space, personnel, publications, stationery, and medical equipment and supplies could not be shared. The guidelines even require—regardless of the number of abortions performed—separate entrances and exits for the family planning program and abortion facility. Hospitals would be particularly hard-hit.

In a strategic move, this new rule was proposed as a guideline instead of a regulation, relieving HHS of the obligation under federal law to solicit and consider public comment on proposed regulations. This time, public opinion would not be allowed to throw HHS's new rule into limbo.

Planned Parenthood, as the most visible and powerful family planning organization, is closely watched by the New Right for its reaction to such developments. It is no secret that the fervent hope of the New Right is that the Reagan administration, through a combination of "defunding" (federal funds for family planning were cut 25 percent in the last fiscal year) and onerous regulations, will pull the rug from under Planned Parenthood and family planning programs in general.

For its part, Planned Parenthood seems determined not to tumble so easily. Faye Wattleton, president of the Planned Parenthood Federation of America, responded to the proposed parental notification regulation with a statement that the organization would stand firm with its "long and distinguished history of providing confidential services to millions of Americans." Promising that if the regulation is implemented, the organization will file suit on behalf of teenagers, she vowed that "no matter what the outcome of these efforts, we will continue to provide confidential services to teens."

That stand could cost some Planned Parenthood affiliates dearly: federal funding can amount to as much as 90 percent of their budgets. But this only serves to highlight a more general, though critical, question: Given less and less tax money for social and health programs of all kinds, and given more and more strings attached to that money, can organizations like Planned Parenthood survive?

The answer is yes. It may come as a rude shock not only to the New Right but to those who lament Reagan's "budget axe," but even within the Planned Parenthood Federation, where lobbying for ever-increasing tax dollars goes on at all levels of government, some clinics and even whole affiliates are managing to thrive on a combination of patient fees and private contributions, albeit with a small percentage of government funding.

Planned Parenthood is ideal for a case study comparing government-funded versus "self-sustaining" community health care and social service programs. It is a federation of 188 separately incorporated affiliates with more than 700 clinics. A national office enforces a rigorous system of standards and guidelines to ensure that the quality of care is maintained.

The organization is best known for its birth control clinics, where a client is examined by a clinician and then can select the contraceptive method of her choice. The emphasis is on "informed consent"—providing enough information, both favorable and not, to enable the woman to make an intelligent deci-

Many Planned Parenthood supporters are concerned that self-sustaining clinics may fail to see women who have no other source of care but cannot afford to pay.

sion. (Some affiliates provide limited services for men, but medical services have historically been aimed almost exclusively at women.) The clinics also offer pregnancy testing and referrals to private physicians, other clinics, adoption agencies, and abortion clinics. Some affiliates provide extensive gynecological care or sterilization surgery for men and women, and some perform abortions.

These various medical services can, under most circumstances, be provided without government subsidies. Those affiliates that operate abortion clinics (about 70 out of 188) do so without any tax subsidies.

Planned Parenthood also provides extensive educational services: workshops, seminars, and classroom presentations; training for ministers, counselors, and others in the helping professions; lectures, pamphlets, and curriculum guides; speakers bureaus; radio and TV guest spots; and information hotlines. The size and breadth of the programs vary widely; all are government-funded to one degree or another.

Tax funding for family planning did not begin until long after the birth control movement was under way.

The organizers of the first birth control clinic in 1916 were arrested under the "Comstock laws," passed in New York at the instigation of Anthony Comstock, a vigilant protector of morals in the late 1800s. In addition to outlawing "French postcards" and other pornography, the laws were used to prevent distribution of condoms, diaphragms, and books on contraception. Within a few years of the first clinic opening, however, these laws were overturned, and privately funded clinics were allowed to operate without much in the way of police harassment.

A few Southern states began providing limited contraceptive services to the very poor in the 1930s, and gradually health departments all over the country followed suit, in a modest, discreet way. It wasn't until the mid-1960s that large infusions of tax money became available to family planning providers.

The Office of Economic Opportunity (OEO), part of Lyndon Johnson's War on Poverty, began making grants in 1964. Originally it was assumed, even by Planned Parenthood, that the money would go largely to state and local health departments. But Planned Parenthood affiliates turned out to be among the earliest recipients because, ironically, health departments found it politically difficult to guarantee confidential services to unmarried women and minors, as required by the OEO contracts.

Over the years, a wide variety of programs have come and gone, mostly at the federal level. All state governments provide some funding, as do some local governments. Not surprisingly, the growth of organized family planning services—health departments, some hospitals, Planned Parenthood clinics, and other private community clinics—has paralleled the growth in government funds available. In 1968 about 863,000 women were seen in these programs. By 1979 the number had increased to 4.5 million.

As the number has increased five-fold, so has Planned Parenthood's clientele; it continues to serve about a quarter of the women in these programs. Many affiliates owe their existence to government grants and contracts—federal, state, and local—which can amount to over 90 percent of an affiliate's budget. Private contributions may be as little as 1 percent. Taken as a whole, Planned Parenthood's affiliates in 1981 obtained 48 percent of their aggregate income from government grants and contracts and 25 percent from contributions. People experienced in fund raising for nonprofit groups agree that increased efforts in this area cannot meet cutbacks in government support except over the long haul. In general, it is very costly, both in time and money, to increase the donor base quickly. And in Planned Parenthood's case, federation rules allow affiliates to solicit contributions only from within their own areas, so many do not have access to foundations, corporations, or wealthy individuals who are not already overwhelmed by requests.

It's no wonder, then, that many family planning providers who have been relying on government funding fear what their opponents hope: that cutbacks in appropriations and unacceptable regulations will wipe them out. But an investigation of innovations at several affiliates turns up a different story.

Rocky Mountain Planned Parenthood is by far the largest affiliate.

In 1981, it had a budget of $4.8 million and saw 58,000 patients at 34 sites in four states. Three-quarters of the RMPP clinics—those located in urban areas— are today run on a self-sustaining basis. All costs must be covered by patient fees, charged on an income-related scale. The government subsidies and private contributions received by the affiliate are used to provide services in rural areas where the patient load isn't large enough to support a fee-for-service clinic. RMPP started its first self-sustaining clinic in 1972 because, as the executive director, Sherri Tepper, explains, "It didn't matter how much money we got from the government, we couldn't meet the demand. We're located in an area where fundraising isn't great, so we had to make our services as efficient and inexpensive as possible."

Four years ago, RMPP started offering workshops for other affiliates and has published a manual on running clinics without government support (*Is There a Clinic after Funding?*). There are fees, of course, for both the workshops and the book: "If you provide a service," Tepper believes, "people will pay for it if they want it."

Unlike most Planned Parenthood affiliates, RMPP does not have a community education program reaching out to potential clients, professionals, parents, PTAs, and the like. Affiliates find that such programs don't generate very much in direct revenues, relative to their costs, and must be supported either by government subsidies or by private donations. Tepper prefers to direct RMPP's resources toward clinical services, arguing that education programs are not cost-effective.

That view is shared by Robert Webber, who has been an affiliate executive director and director of the federation's Western Regional Office. "If you're not dealing with people who are going to use the (medical) service immediately, it may not be cost-effective to use taxpayers' money," he admits. But he is confident that "without tax money, the good programs"—which he estimates to be about 25 percent of those now offered by Planned Parenthood—"would survive." He points out that foundations, especially Ford and Scaife-Mellon, "have funded innovative programs in the past, particularly if they are aimed at recruiting patients."

The managers at RMPP's clinics are given considerable discretion, however, and many do offer some community education programs, insofar as their clinic duties and inclinations warrant and if they can provide a favorable cost analysis. RMPP does provide an extensive in-service education program for staff and operates a literature development and publications department that produces revenue for the affiliate as a whole. What has been eliminated from the RMPP model is the paid education staff, who in

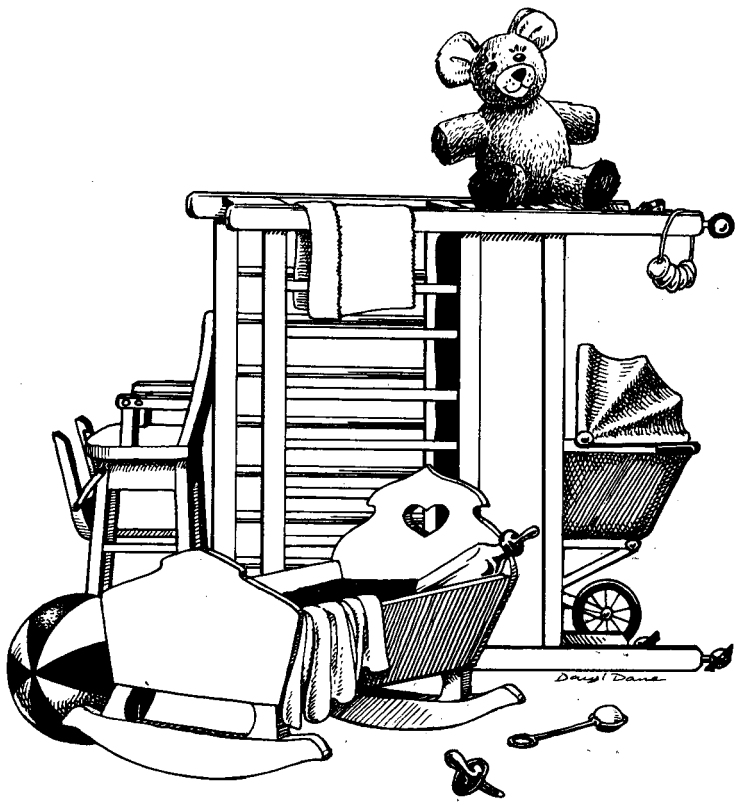
other affiliates provide community education and at least supervise in-clinic education that ranges from providing information about contraceptives to offering general sexuality counseling.

RMPP's decision not to run a community education program and to keep its in-clinic education fairly limited has drawn some skepticism and a good deal of hostility from people within the federation who argue that too much emphasis can be placed on finances and not enough on providing patients with high-quality care. Many of these people are educators and counselors; they believe strongly that Planned Parenthood has an obligation to provide for clients not only contraceptive and related medical services but also extensive opportunities to discuss and try to solve sexual and social problems.

Dr. Charles Bradley, for example, medical director at the Santa Barbara, California, affiliate, believes that a strong case can be made for including sexuality counseling among the basic services. "Familiarity with sex and with one's own sexual nature and one's partner's sexual nature seems to result in better contraceptive use," he says. "People in stable continuing relatonships contracept better. Despite all the emphasis in the media on sex, people—men and women—aren't really comfortable with their bodies and their sexuality."

Barbara Petrich, director of education at the Santa Barbara affiliate, is more concerned with what she sees as the positive social impact of sexuality education. Although she admits that it "hasn't really been documented," she believes "it makes sense at a commonsense level that there is a relationship between child abuse and a poor sexual self-image, drug addiction and a poor sexual self-image, all kinds of asocial behavior." So family planning, she concludes, "should be paid for with tax money because social problems have to be addressed."

The fervent hope of the New Right is that the Reagan administration, through "defunding" and onerous regulations, will pull the rug from under family planning programs.



Meanwhile, Mark Salo, executive director in San Diego, California, is trying to make his affiliate's education program pay off. Strategies so far include developing and marketing publications directed at professionals such as physicians, social workers, and ministers; providing training for licensed professionals who must complete a certain number of continuing education courses each year (and who are accustomed to paying for those courses); and marketing to other affiliates a combination telephone-system/computer that provides taped messages and information to callers.

Salo believes strongly in competition. He's started marketing Planned Parenthood services to local insurance companies and HMOs (Health Maintenance Organizations—prepaid group medical providers). "Consumers want alternative delivery systems," he says. "Doctors like to talk about free enterprise, but they don't like competition. A variety of delivery systems means that they will compete side-by-side, and that's best for the consumer."

In 1982, the affiliate purchased a building to house its first self-sustaining clinic, which opened in September. Salo thinks that it will be possible to continue to provide services for those in need of "subsidized" care without government funding because there is a growing population of marginal-income people who cannot afford to see a private physician but can afford to pay clinic fees; those fees will help to pay for services for the very poorest of the poor.

Many Planned Parenthood supporters are concerned that self-sustaining clinics may fail to see women who need help and have no other source of care but cannot afford to pay. In September 1981, in response to the first Reagan administration cuts in funding for family planning, federation president Faye Wattelton circulated an internal memo reminding affiliates that "Planned Parenthood provided [its] services long before the first federal dollar was spent, and we must continue to be a reliable resource regardless of fluctuating federal commitments." While encouraging affiliates to seek out cost-saving and revenue-raising innovations, she warned that Planned Parenthood's "survival should not be achieved at the expense of poor and low-income individuals."

The vast majority of self-sustaining clinics, however, are located in metropolitan areas where government-subsi-

dized care is also available, either at another Planned Parenthood clinic or from other providers, such as community clinics or local health departments. Still, for an organization in which one of the underlying principles is equality of care, this is an important issue. And it is in this context that the San Diego affiliate's entrepreneurial strategies and Rocky Mountain's interdependent operation of self-sustaining urban clinics and supported rural clinics are most interesting.

The Eugene, Oregon, affiliate gets no money at all from state or federal agencies. Four years ago they decided to become self-sustaining, and their only government funding these days comes from county revenue sharing, which amounts to about 8 percent of their $200,000 annual budget. But the affiliate figures that in its next fiscal year, even that source of funding will be gone, and several foundations have been successfully approached for contributions. The affiliate is proud of its independence, but as Patty van Meter, director of education, points out, "We have very little safety margin."

The decision not to seek government funding requires a strong commitment on the part of both staff and board. In Eugene's case, that commitment, and the assumption of greater fund-raising responsibilities, was made without serious dissent. And they've found that it's very helpful to be able to say, "We're completely locally funded, and we need your donations to survive."

The staff, meanwhile, was "tremendously relieved to get out from under the paperwork," says van Meter. And they were willing to become more business-like in their approach, to pay more attention to consumer wants. They also cut back substantially on the use of volunteers.

At first thought, it might seem that any charitable organization trying to survive on little money should welcome the help of unpaid staff. Affiliates agree, however, that volunteers are a mixed blessing. Polly Ashworth, clinic coordinator at the Eugene affiliate, misses "the spirit, commitment, good will, and energy of the volunteers" but admits that the atmosphere is more professional now. A clinic manager at one of Denver's self-sustaining clinics run by RMPP notes that "recruiting, training, and supervising volunteers can be very wearing for a staff." Another Denver-area manager remarks that she is unable to offer high salaries but that one of the rewards she can offer her paid staff is contact with patients—which is also the only task that keeps volunteers over the long haul.

All affiliates do use volunteers in some jobs, however, and many use student interns as well. In Augusta, Georgia, the Junior League provides the nonmedical staff for evening clinics, while medical students receive on-the-job training in all aspects of family planning care through an arrangement with the medical schools. And in Santa Barbara, California, volunteers are used in every program; accounting students even help prepare year-end financial reports.

Arnie Correa, the executive director in Augusta, says he prefers private to government funding. "There's more freedom to maneuver, less uncertainty," he explains. "I know what it costs me to provide a service, and I'm always asking myself how I can do it better *and* less expensively."

Col. Correa (he's a retired US Army officer with a master's degree in hospital administration) sees his affiliate as self-sustaining, even though government grants and contracts represent about 25 percent of its annual budget. The contraceptive clinics do operate on a fee-for-service basis and are almost entirely self-supporting. If a patient cannot afford to pay, a referral is made to the county health department. Fees are rarely waived, and there is a policy of not sending bills, both because the collection process is expensive and because of a concern for patient confidentiality. Despite the fact that there are a number of providers offering "free" service in the area, the Planned Parenthood has no trouble maintaining its patient load.

The same is true in Albuquerque, New Mexico, which was forced by politics and circumstance to become self-sustaining. For many years the affiliate there received government subsidies through the New Mexico Family Planning Council, an administrative body that allocates state and federal funds to the various family planning providers. In theory, this council and others like it across the country are supposed to prevent wasteful duplication of services and unseemly scrambling for patients and tax money.

In New Mexico, according to Planned Parenthood officials, the council became the arena for a number of power struggles. After attempts to solve problems internally, the affiliate complained directly to the federal and state funding agencies, whereupon the council tried to take over the affiliate. When the dust settled, on July 3, 1980, the affiliate found itself without funding that had amounted to over 90 percent of its budget. Rocky Mountain Planned Parenthood was called in to help, and six days later, the clinic reopened on a self-sustaining basis. Staff size was cut, jobs redefined, and procedures revamped. Two years later, the "retention rate"—the percentage of patients who return for another year—is well within the normal range.

In Concord, California, on the other hand, an experimental switch from a subsidized to a fee-supported clinic was given up. Because the county affiliate to which the clinic belonged has never received federal funding and because the affiliate continued to run several state-subsidized clinics, the switch did not provide much relief from regulations and paperwork. The staff had no problem asking for fees, but when they began turning away over 100 patients a month, referring them to other Planned Parenthood clinics or to other providers, and saw no real hope of recruiting large numbers of patients who were willing to pay, plans were made to again run the clinic on a subsidized basis. The experiment lasted eight months.

Bergitte Berthelsen, director of administration at that affiliate, comments that "with all the problems that come with tax funding, the important point to remember is that subsidies allow wider access to care for people who need it." She admits that if *no* providers received tax funding, Planned Parenthood would survive and prosper on a combination of patient fees and private contributions. "Having a privately supported clinic improves fund raising, but it's hard to say exactly how or why," she says. "It used to be easier to raise private money when the government wasn't taking care of everybody." Unfortunately, no one knows for sure whether private contributions would be sufficient to take care of all of those who really need help.

Planned Parenthood of Southeast Ohio is gambling that they will. In July 1982 the affiliate announced that it would no longer participate in the federally funded program administered through the Ohio Department of Public Welfare. In a newsletter sent to affiliate supporters, Kay Atkins, the executive director, explained the decision: "State and federal grants are *not* free money....Many strings and gigantic stacks of paper continue to cling to [such funds]. We believe patients can better be served by concentrating on providing a service, rather than generating paper documents. This decision challenges us to serve patients well and in a cost-effective manner. It challenges our Board to raise more private dollars. It challenges our patients to pay at least a portion of the costs of

their services and supplies."

Many Planned Parenthood clinics have begun using a "self-sustaining model"—a relatively streamlined way of operating—regardless of funding sources. For example, instead of having every new patient sit through a group discussion detailing all methods of birth control, many affiliates now use a short videotape or even pamphlets with brief descriptions of what's available, followed by individual, in-depth review of the method the woman wants to use. Complaints about waiting time have been reduced dramatically.

One of the most valuable aspects of the introduction of fee-supported clinics has been an increased willingness to respond to the desires of clients. As Polly Ashworth of the Eugene affiliate says, "A 16-year-old wants her pills—no information, no exam, just the pills. So we mix what she wants and what's good for her."

What *is* good for her? Within the family planning profession, there isn't any consensus on what are essential services and what can be described as optional or extra. Some people want to provide only the basics: those medical services directly related to prescribing contraceptives; pregnancy testing, counseling, and referral; and enough education within the clinic structure to ensure informed consent. Others, partly in recognition of the fact that family planning providers are often the primary health care facility and partly because the basics can be fairly boring for staff, want to add services ranging from minor gynecological treatment to sexuality counseling and extensive community education. The mix of services, beyond the basics, varies from clinic to clinic, as does the cost.

Because the costs and benefits of direct medical services are more visible, there is less philosophic debate over their worthiness than is the case with sexuality counseling and community education. Some educators want people to share their view that family planning involves more than the mechanics of contraception and is properly concerned with improving people's self-image, sexuality, and relationships. In contrast, Robert Webber, the former affiliate and regional director, contends that "billions have been poured into programs that do more to meet the needs of the employees rather than meeting the needs of the clients." And many of those programs, he says, are the ones that "have dealt with emotions and feelings rather than imparting information in ways that can be used by the client."

Fortunately, many of the counseling and education programs could easily generate enough revenues to cover their costs: they attract mostly middle-class, adult clients. The list is almost endless:

professional training
talking to kids about sex
pregnancy over 30
premenopause support groups
herpes support groups
women's support groups
men's support groups
parent/child workshops
sex and disability
couples counseling
relationship counseling
parent counseling
natural childbirth classes
single-parent workshops
workshops for ministers

Regardless of the level of government funding, these programs can continue if there is a demand for them within the community.

Most Planned Parenthood affiliates also provide speakers for community groups and schools, and family planning professionals are unanimously agreed that education, particularly when it's aimed at providing factual information, is a necessity: over 50 percent of unplanned pregnancies in women under 20 occur in the first six months of sexual activity when she is using no method of birth control at all. The money needed to continue this community service would undoubtedly come from private contributions if tax money were not available, given the excellent relationships Planned Parenthood affiliates have developed with the schools and with community groups such as Parents Without Partners and Rotary Clubs.

Other programs would be less likely to survive without tax support, at least in their present forms. One example is a Male Involvement project at the Santa Barbara, California, affiliate. By educating men about their bodies, teaching them how to share responsibility for sex and birth control, and helping them learn how to cope with the changing world, the project is aimed at making sure that "every child is wanted by both parents." But, "if it weren't for public funding," says the project coordinator, "I don't think people would bother with male projects. Men are in charge of determining where the money goes, and men think they already know all about sex."

Of course, the New Right, too, has come up with programs that couldn't survive without tax funding. Sen. Jeremiah Denton (R-Ala.) has finally managed to get authorization for his Adolescent Family Life Bill, which was funded when Congress overrode President Reagan's veto of the 1982 Supplemental Appropriations bill, to the tune of $10.3 million for this fiscal year. This demonstration project will create so-called chastity centers that will provide, in addition to services for pregnant teens, counseling for teens on the virtues of abstaining from sexual relations. Naturally, in keeping with Senator Denton's desire to uphold traditional family values, teenagers seeking help from the chastity centers will have to have their parents' consent.

Government subsidies for health care and social services, including family planning, are not going to disappear overnight. The dollars will continue to get scarcer; the strings will continue to pull tighter. Many organizations will be taking a hard look at the costs associated with tax-funded programs. A few will decide they can do their jobs without government "help."

Ruth Green is the executive director of Planned Parenthood of Southern Arizona, an affiliate that has both subsidized and self-sustaining clinics. She is so highly respected that an award is given in her name each year to the most outstanding affiliate director. "The funding crisis," she says, can be regarded as "a threat or an opportunity." She counsels affiliates to "reduce the whole-body fat rather than lop off arms and legs. Production *is* important: business thinks about the bottom line and so should we. We *must* recapture costs. Someone must pay for quality."

The overwhelmingly positive experiences of the Planned Parenthood affiliates that have experimented with privately supported clinics proves that people *will* pay for quality and suggests that they will do so in large enough numbers to help those who can't. The roots of all social service programs are in voluntary community support. In the specific case of Planned Parenthood, opponents have been betting on the hope that if government support is withdrawn, the organization will collapse. The self-sustaining clinics offer an alternative scenario and give encouragement to health care and social service organizations in general: if the program meets a real need, real people will support it—voluntarily. ◻

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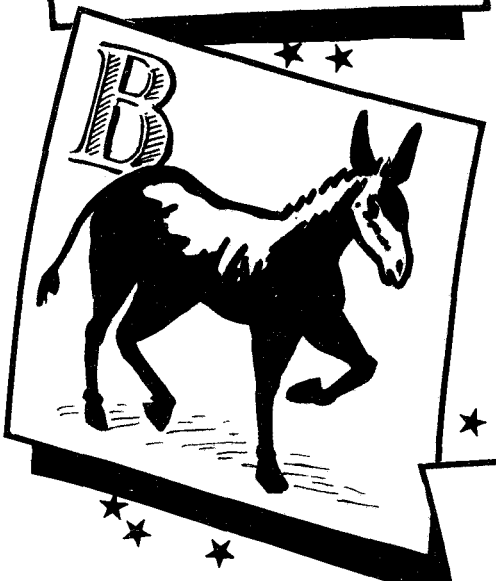


Giving voters a choice when the choices are turkeys

THE TURKEY BALLOT

BY ROBERT BAKHAUS

Not long ago, election procedures were considered about as glamorous and interesting as sewer maintenance. No one paid much attention to them. The conduct of elections was left almost exclusively to state governments, and most people were either content with election procedures as they were or totally indifferent. (True, there were parts of the country where elections could be bought and sold as easily as tomato soup and used Chevrolets, but election buying was usually not incorporated formally into law.)

In the 1960s, however, things changed: election law, at least insofar as it dealt with voting rights, became fashionable. In 1963 the Supreme Court devised the principle soon christened "one man, one vote" (at the time *man* meant both man and woman), and a flurry of election law reform got under way. Literacy and property ownership requirements were struck down; poll taxes were sacked; residency requirements were loosened; bilingual and even trilingual ballots were mandated; courts ordered that voters must be provided assistance in the voting booth; absentee voting was liberalized; students won the right to vote in their college communities; 18- to 20-year-olds gained the right to vote. In short, there was a revolution in the laws governing who can vote.

But if more and more citizens were able and encouraged and helped to vote, what they found when they entered the polling booth was pretty much the same choice between tweedle-dum and tweedle-dee. For the revolution in who can vote was not followed by a revolution in who can be a candidate. In most states, legislatures keep a tight rein on the extent of electoral choice, through laws establishing strict eligibility requirements and imposing substantial obstacles to being listed on the ballot even if one is eligible to run.

So the newly enfranchised voter may become the quickly disillusioned voter. Faced with a meaningless choice ("The Democrats and Republicans are no different") or a distasteful one ("It's simply a matter of voting for the lesser of two evils"), the average citizen even so finds it next to impossible to become a candidate himself. And what average citizens have been doing in droves, of course, is simply staying away from the ballot box altogether.

But there is a truly useful reform, already in effect in Nevada and to an extent in Idaho, that could go a long way toward remedying this situation. It's the "turkey ballot." The idea here is simple enough: if a voter believes that all the candidates running for a given office are "turkeys," he or she should have the option of registering a vote for "none of the above" (or NOTA, for short).

The concept of the turkey ballot is not new. In the early 1970s, the League of Non-Voters, a California-based organiza-

(Continued on p. 36)

Large chunks of Britain's corporate state are being returned to the private sector.

Margaret Goes to Market

By John Blundell

The battle between the "Wets" (comparable to liberal Republicans in the United States) and the "Drys" (conservative Republicans) for control of the next Conservative Party election platform in Britain has commenced. With the election anything from a few months to at most 16 months away and the Thatcher administration confident of victory, senior Tory politicians will spend much of the coming year making "keynote" addresses that attempt to mold the final printed program.

Transferring the provision of goods and services from the public to the private sector has long been a key plank of Tory rhetoric. It was highlighted in the Edward Heath campaign of 1970, but his victory led to a massive increase in state holdings and the sale of only a government-owned travel agency and a brewery.

Privatization continued to be a feature of the '79 election promises and, if the opening shots in the current battle are at all indicative, the main fight between leading Drys such as Sir Geoffrey Howe and leading Wets such as Sir Ian Gilmour will be over how much emphasis should again be placed on privatization and how much trust can be placed in the market to perform.

While it can be faulted on many fronts, the Thatcher administration has, without a shadow of a doubt, outperformed previous governments in this area. Even the sternest and most severe of free-enterprise critics cannot but welcome a number of her initiatives and admit that she is one of the few leading British politicians—possibly the only one—with both the commitment and the abil-

ity to restore the discipline of the market in at least a few areas.

What are these "socially damaging" (as the unions call them) moves to restore competition?

Until the 1980 Transport Act, it was illegal for the owner of a coach or bus to operate a regular scheduled service. A coach operator in Manchester could provide a local social club with a vehicle to transport its members to London on a private outing, but it could not advertise a regular scheduled service to the public. The latter was the monopoly of a state-owned coach company—National Express.

The 1980 act legalized such alternative services, and both National Express and state-owned British Rail have since found fierce competition from a host of private operators. With private coach journeys taking only slightly longer than rail journeys, with fares anything from one-half to one-eighth lower than rail fares, and with British Rail racked by strikes and a national reputation for disgusting service, the private coach operators are on a good wicket.

Illustration by Michael Beickel

Also on the road, the formerly state-owned National Freight Corporation has gone completely private. In the biggest operation of its kind in British history, its managers and workers recently raised $100 million to buy out the government and go private.

A start has even been made at the notorious British Rail with sales of hotels and of such assets as the cross-Channel service and other peripheral activities. The huge catering wing remains in state hands, though, and continues to serve the worst possible food in the rudest possible way.

In the air, the hopes of the Thatcher government have had a rough ride. Fifty-one percent of British Aerospace has been sold for $300 million, but plans to float off British Airways have been postponed. B.A. has been forced to shed 15,000 workers, however, and appears headed for profit by the end of '83. Should Thatcher be re-elected, it will be sold in '84/'85. In the meantime its major subsidiary, International Aeradio, is being sold for over $100 million.

On the industrial front, in addition to the sale of 51 percent of British Aerospace and of the National Freight Corporation, Amersham International (a biotechnology firm) and Cable & Wireless have also been sold, the former's shares being oversubscribed 23 times. Next on the privatization list of the Drys are a series of huge industries that have lost billions of dollars of taxpayers' money. Like British Airways, the problem with British Steel, British Leyland, British Shipbuilders, British Telecomm, and Rolls Royce is that they have to be forced into a more viable position before ministers can hope to realize a decent price. Fortunately, five are either heading out of the red or are well into the black—after drastic butchery—and could be in private hands within two to three years. Two other candidates that could reach the market even sooner are the British Transport Docks Board and an oil field currently owned by British Gas.

The Oil and Gas (Enterprise) Act was passed by Parliament in 1982, breaking the previous legal monopoly on the supply of natural gas. Private companies can now supply gas to large consumers. A major setback occurred, however, when plans to sell a government-owned nationwide chain of "Gas Showrooms"—retail outlets where customers can pay their bills, handle problems, and also purchase gas-fueled appliances—were shelved.

By this summer, the legal monopoly on the supply of electricity is to go also. New legislation will make it legal not only to generate electricity for yourself and then sell the surplus (now allowed) but also to set up an electricity-generating business.

On the oil front, Energy Secretary Nigel Lawson's aim is to sell all state-owned oil fields—the largest single transfer of state assets. In August 1982, Britoil was set up by the Thatcher government to take over the production and exploration assets of the government's British National Oil Corporation. Then in November, 51 percent of Britoil was sold to private investors through tender offers. Other oil assets are also due to hit the market in the not-too-distant future.

In education, the wheels of change are moving more slowly. A devotee of free-market economists Friedrich Hayek and Milton Friedman, Sir Keith Joseph is secretary of state for education. Despite his philosophical commitment and his support in the cabinet for all the measures described here, one can credit him personally with very little. This low score is even more surprising when one notes that his leading junior minister is the noted free-market exponent Dr. Rhodes Boyson.

Since their advent to office, they have been stuck at the planning stage, and the best that one can say is that some form of student loans and some form of voucher scheme might see the light of day in the next few years. Boyson, however, spits out ideas faster than a machine gun. Parental choice in his "aircraft carrier," and his ideas are "helicopters," he says. His latest chopper is that parents should be allowed to contract out of the state education system and get a tax rebate with which to fund the private institutions of their choice. Whether anything will actually be *done* to implement this idea is, however, another matter.

In local government, a small wave of privatization is starting to form and could become a breaker. When Prime Minister Thatcher entered 10 Downing Street, examples of local governments contracting for services from the private sector could fit on the back of a post card: the cleaning of public lavatories at a few seaside resorts and refuse collection in a tiny country town in Essex.

Under Thatcher's leadership, however, and backed by works by the two leading free-market think tanks, the In-

stitute for Economic Affairs and the Adam Smith Institute, the list grows longer each month. The city of Southend has privatized garbage pickup, and massive Birmingham, along with other communities, are following suit. Wandsworth is cleaning its streets with private contractors, Hampshire and Westminster maintaining their road signs, and Sutton pruning its trees. Even Liberal-controlled Liverpool is planning to put housing management and repairs in private hands.

Some legal, architectural, and accounting work is also moving out of directly employed labor's control. New rules govern all local building departments, making them compete with private firms on more realistic terms and forcing them to keep and publish full accounts of their finances. And if they sustain a "loss," they can now be closed down by the central government.

It is on the housing front, however, that the greatest inroads have been made. One-third of all British houses are "Council" houses, owned by the local authorities and rented out to local residents for very low rents.

The economics of such housing is startling. A local authority, with say 50,000 houses and apartments, will probably be paying out $20 million per year on repairs, $25 million on management, and as much as $50 million in interest charges on the money borrowed to buy or build these properties—a total of $95 million a year. Gross income, on the other hand, will be of the order of $20 million. So the net cost of providing this service is $75 million in our example. It would be cheaper to give the property away by mailing the deeds to current tenants. Such an operation would save $45 million on repairs and management, compared to the forgone "income" of $20 million. The net cost per year would drop from $75 million to $50 million, namely, the interest payments only.

Thatcher's approach has been to give public housing tenants the "right to buy" the property they rent at a discounted price. As soon as you have been a tenant for three years you are entitled to buy your home at 33 percent off the market value. For each extra year over and above these three years you gain an extra 1 percent discount up to a maximum of 17 years.

In many ways, President Reagan's plans for selling off federally owned land are a trans-Atlantic mirror of Prime Minister Thatcher's now well-established house sales program. Unlike Reagan, however, Thatcher can already claim a remarkable success on this score—500,000 homes, amounting to 7.5 percent of public housing when she took office, will have been transferred to private ownership by the next general election if Thatcher stays in for a full five-year term.

Why has the British government not moved more quickly on privatization across the board? In a nutshell: such policies do not have universal support even throughout the Tory party, and the civil servants, local government officers, trade unions, and the large number of Labour Party-controlled local authorities range from being neutral to being actively hostile to such moves.

Should Thatcher gain a second term—and with the Labour Party in disarray and the Liberal/Social Democrat bubble well and truly burst, she probably will—this wave will continue to roll. The Drys, being conservatives, want to let markets and competition get to work only because they see it as advantageous, not for the individual, but rather for "the nation." A renewed mandate would considerably strengthen the hand of the Drys and drastically weaken party, union, and bureaucratic opposition to privatization. And, whatever the conservatives' motives, that is all to the benefit of the individual.

John Blundell is a graduate of the London School of Economics and a former member of the Lambeth Borough Council in South London. He is currently director of public affairs at the Institute for Humane Studies in Menlo Park, California.

Airports, Inc.

"Socialist airport policies have failed the nation. It is time we adopted Conservative ones." Those are the concluding lines from "Airports UK," a June 1982 report from the Center for Policy Studies, the Tory party's think tank. Written by MPs Michael Colvin and Graham Bright and historian Christopher Thompson, the report argues for the privatization of most of Britain's commercial airports.

The 46-page report first makes the case that there is little to recommend continued government ownership of the airports. That policy has led to shortages of capacity in the London area, surplus capacity elsewhere, extensive taxpayer subsidy, and monopolistic pricing policies. The report also points out the irony of a government policy that seeks to privatize the national airline (British Airways) but would keep the airports in government hands.

In the London area, notes the report, the simplistic solution would be to sell to investors the existing British Airports Authority (which operates Heathrow, Gatwick, and Stansted). But this would continue the existence of monopoly structure. Instead, the authors recommend the creation of competing private companies to run those three airports plus the municipally run Luton airport north of London (which caters to charter operations). Shares would be offered first to airport employees and local residents and later to other investors. Municipal airports would be sold off in a similar manner.

One important feature of the proposed privatization would be authorization for the airport companies to issue bonds to pay for expansion, as is common in the United States. British airports currently finance expansion on a pay-as-you-go basis, resulting in extremely high landing fees and concession charges. Because of the special problems of some of the country's regional airports, the report suggests that their bonds be made tax-exempt. It also suggests continued government operation of Scotland's airports.

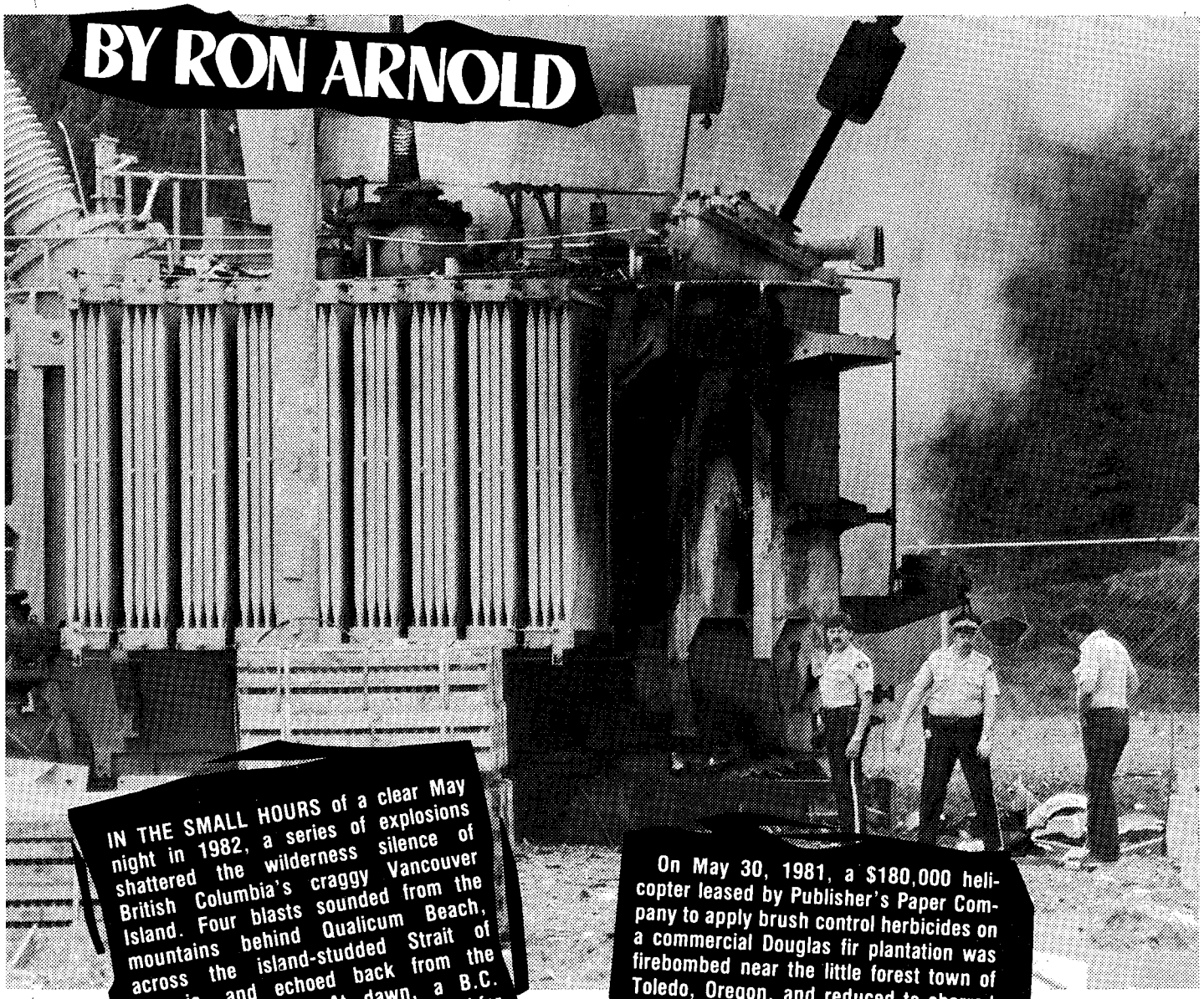
Although it is not a call for pure laissez-faire, the report goes considerably beyond Adam Smith, who did, after all, accept government ownership of certain public works. But then, who knows what he would have thought of airports.

—R. P.

ECO-TERRORISM

Environmental extremists have declared guerrilla war on resource developers. . . and the environmental mainstream stands by silently.

BY RON ARNOLD



IN THE SMALL HOURS of a clear May night in 1982, a series of explosions shattered the wilderness silence of British Columbia's craggy Vancouver Island. Four blasts sounded from the mountains behind Qualicum Beach, across the island-studded Strait of Georgia, and echoed back from the forested mainland. At dawn, a B.C. Hydro utility construction crew arrived for work at the remote Dunsmuir electrical substation to discover a smoking ruin. Expertly placed dynamite charges had wrought $6 million in damage to four 500-kilovolt transformers.

On May 30, 1981, a $180,000 helicopter leased by Publisher's Paper Company to apply brush control herbicides on a commercial Douglas fir plantation was firebombed near the little forest town of Toledo, Oregon, and reduced to charred aluminum rubble.

Near Missoula, Montana, late in January 1981, Montana Power Company's timber-truss Franklin Bridge was cut with a chainsaw, doused with diesel fuel, and torched, removing motor vehicles' sole access to the boundaries of

Photograph courtesy of B. C. Hydro

the Rattlesnake Wilderness and National Recreation Area.

Getty Oil Company workers in June 1982 reported to the Teton County, Wyoming, Sheriff's Department that survey stakes along 2.5 miles of proposed road leading to a wilderness oil drilling site had been removed and survey instruments thrown into a creek. Damages were estimated at $5,000, and the project was delayed.

Four isolated incidents—or are they? Interviews with law enforcement investigators reveal that a growing number of them are convinced that dozens of such unsolved vandalism cases are actually related acts of "ecotage" or eco-terrorism—deliberate destruction of the artifacts of industrial civilization in the name of environmental protection. Some agents think these four incidents are indeed eco-terrorist attacks and may be somehow connected.

Edward Wilson, an inspector with the Royal Canadian Mounted Police in British Columbia, says, for example: "We believe with 85 to 90 percent certainty that the Dunsmuir incident is somehow mixed up with an environmental or ecological type person or group." Before newswires got word of the bombing of the electrical substation that May night, Vancouver radio station CKNW received a phone call from a person claiming to represent 37 antiherbicide protestors who, he said, planned and executed the raid. Within days, a two-page letter claiming responsibility for the blasts arrived at 18 media and citizen group offices in British Columbia, Saskatchewan, Quebec, England, and Oregon. All the copies of the letter, which purported to be from a group called Direct Action, had been return-addressed to the victim, B.C. Hydro.

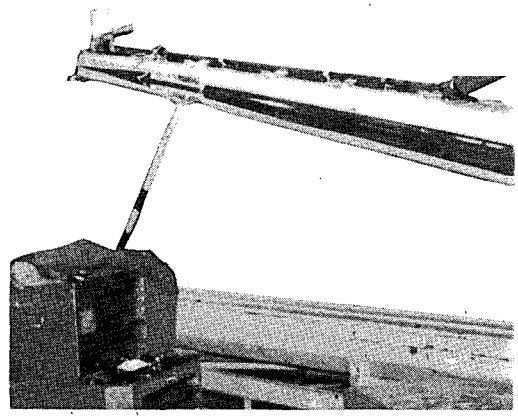
To protect their case, the police will not identify the recipients, but I did obtain a copy of the letter, which Canadian authorities regard as authentic. It reads as a literate, almost literary, defense of the attack: "We reject both the ecological destruction and the human oppression inherent in the industrial societies of the corporate machine in the West and the communist machine in the East." After denunciations of patriarchy, imperialism, and industry, the letter ended: "We must make this an insecure and uninhabitable place for capitalists and their projects. This is the best contribution we can make towards protecting the earth and struggling for a liberated society."

The three other incidents appear to have eco-terrorist connections. In the Oregon helicopter firebombing case, two masked women calling themselves members of the People's Brigade for a Healthy Genetic Future called a press conference with Coast News Service television reporters. They had "sabotaged poison-spreading machines as an act of self-defense," they said to the reporters.

Steven Morton, US Forest Service resource assistant at the Missoula Ranger District said of the Franklin bridge-burning, "This seems to be part of a trend to take revenge on cycle users," referring to previous reports of roofing nails being scattered on the Franklin road. Hikers opposed to motorized traffic were suspected but never apprehended.

Two weeks after Getty Oil's road survey had been destroyed, Dave Foreman of the national radical group Earth First organized a rally in Jackson Hole, Wyoming, to oppose wilderness oil exploration. He denied that Earth First had anything to do with the road sabotage but told an audience of about 350 that his group was "fully prepared to come back and blockade the canyon" to keep Getty from the drilling site.

Eco-terrorists claimed responsibility for firebombing a helicopter used to spray herbicides in Oregon.



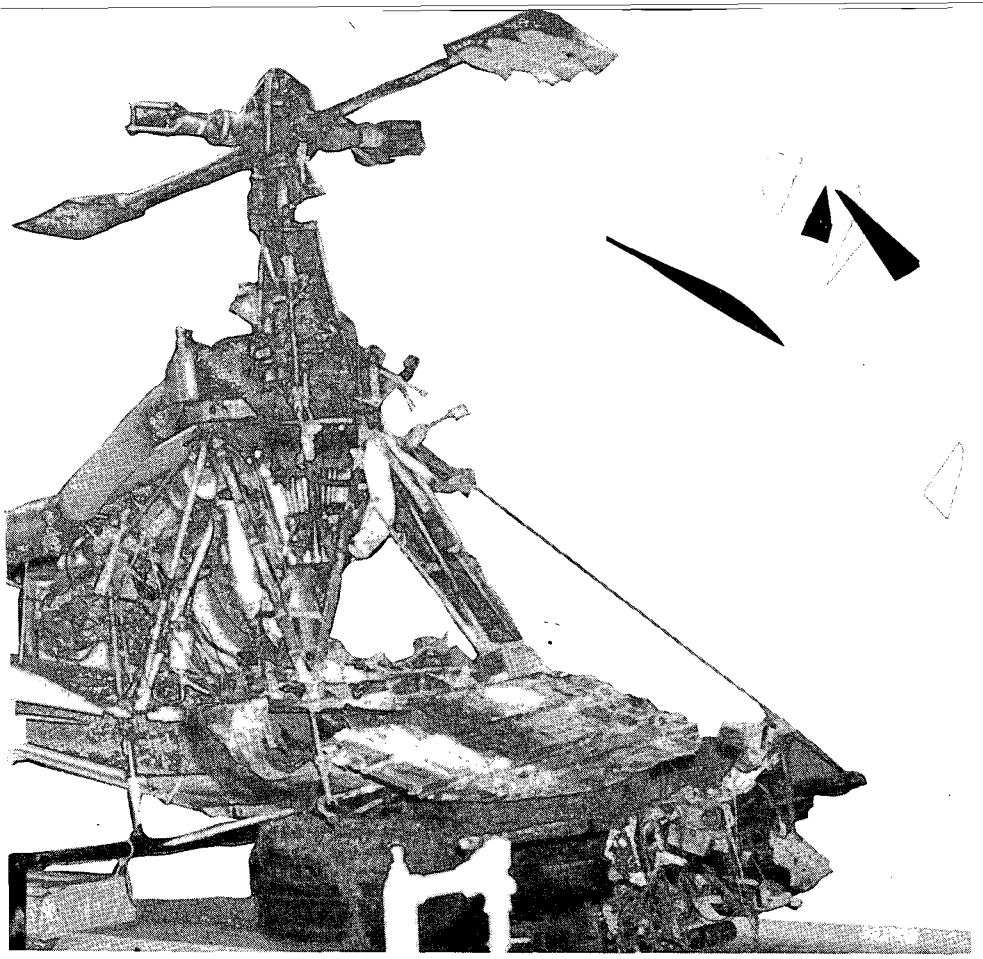
THE VERY IDEA OF ECO-TERRORISM may seem to some a preposterous anti-environmentalist invention designed to discredit the programs of established groups such as the Sierra Club and Friends of the Earth. Scoffers have pointed out that industrial vandalism is nothing new in the United States. The standard case usually turns out to be the inspiration of some disgruntled employee taking revenge on the boss or the work of an unbalanced individual tormented by nonideological personal demons. These points are quite true, but mounting evidence indicates that eco-terrorism is no phantom.

Since the rise of the environmental movement in the late 1960s, advocacy of eco-sabotage has become increasingly open. "The Fox" of Kane County, Illinois, was lionized in the early '70s by columnist Mike Royko in the *Chicago Daily News* for sabotaging steel mill drains, sealing off factories' chimneys, and the like. In Dade County, Florida, the Eco-Commando Force received publicity when it illegally entered sewage plants and tossed yellow dye into sewage tanks to prove that treated waste lingered in open canals longer than claimed. Such individuals and groups glamorized eco-terrorism and established it as an article of faith for the radical element of the environmental movement.

Author Edward Abbey has forged a substantial career crafting tales of eco-terrorism. His 1975 novel, *The Monkey Wrench Gang*, traced the adventures of colorful Westerners who became environmentally inspired saboteurs. It garnered such praise from the *Denver Post* as, "If you ever dreamed of destroying a bridge that spoils a pristine gorge, *The Monkey Wrench Gang* is for you," and from the *National Observer*, "It'll make you want to go out and blow up a dam."

Abbey himself has become something of a campus celebrity, frequently called upon to speak out for eco-sabotage. He was invited to Dave Foreman's Earth First rally against Getty's Wyoming drilling project and told receptive listeners that they should "oppose, resist, if necessary subvert" oil companies' access to wilderness lands. "I'm not advocating illegal activity," he added, "unless you're accompanied by your parents, or at night."

Individuals such as Abbey and small groups such as Earth First are not the only open advocates of eco-sabotage. Washington, D.C.-based Environmental Action, a group that now has 25,000 members and an annual budget in excess of $700,000, sponsored a contest for eco-sabotage ideas with results published in the 1971 Pocket Book *Ecotage! Ecotage* was somewhat whimsically defined in this manual as "the branch of tactical biology that deals with the relationship



between living organisms and their technology. It usually refers to tactics which can be executed without injury to life systems."

Environmental Action may be best known as the coordinator of the first Earth Day, April 22, 1970, but on page 87 of the manual *Ecotage!* published this advice from a California group:

> *The best way to slow down or stop a road or a recreational development is to disrupt the survey. . . . Tools needed are hammers, small folding shovels, and cut brush to erase the original survey sight. If the road is going through private property, you must be careful not to get caught trespassing and be very sure not to cut fences or leave gates open. Slick-bottomed boots should be worn so that no identifiable foot marks are left. If the road is going through public lands, they cannot keep you out; just be careful no one sees you carrying your equipment in. Backpacks are very good for carrying tools in and stakes out of the area. . . .*
>
> *Each time part of the project has to be resurveyed, the costs go up. If you are careful and quick, you can tie up a project for many months and buy time for other actions that will stop it.*

This set of instructions, coincidentally or not, is an exact description of the modus operandi of the Getty road saboteurs. William Covey, supervisor of Siskiyou National Forest headquartered in southern Oregon, says that similar cases of survey destruction are legion in the West: "The Forest Service is constantly faced with resurfacing roads because of sabotage."

SISKIYOU NATIONAL FOREST is also the locale of one of several eco-assaults on people. For despite Environmental Action's reassuring words, ecotage is not always limited to tactics "which can be executed without injury to life systems."

The issue at Siskiyou, in the spring of 1980, was brush-control aerial spraying by the Forest Service, using the herbicide 2,4-D. Environmental organizers held a preliminary "training weekend in nonviolent resistance," according to a bulletin posted in several public places. The Forest Service noted extensive scientific data documenting safe use of the herbicide, but 80 to 100 protestors, including some from neighboring states, occupied parts of the national forest to block the spraying, which the Forest Service would not carry out with people in the area. On Friday, May 2, the protestors were asked by the Forest Service to leave the area. When they refused, two were arrested for trespassing while the rest scrambled away. Forest Service Ranger Jim Schelhaas then negotiated with the protestors and the next day, Saturday, agreed to end aerial spraying, which was about 80 percent complete.

One critical area of young conifers needed to be cleared of competing brush to assure proper growth of timber, however. On Sunday morning, Schelhaas, 3 law enforcement officers, and a ground crew of 12 set out to do the job by hand using backpack 2,4-D spray equipment, which avoids the general spread of chemical with aerial application.

About an hour after the crew began working, some 80 angry protestors who had been alerted by citizen band radio confronted the crew. Many of the protestors were armed with knives and clubs. As Ranger Schelhaas describes the scene, "Each spray crewman was surrounded by shouting, spitting protestors. Spray rigs were yanked from the crew's backs and my people were roughed up. One enraged man charged at me with a large limb held up like an axe, shouting he was going to split my head open, but a sheriff's deputy stopped him. The mob was wrought up and definitely out of control, so there was nothing to do but gather our equipment and leave.

"We got to our vehicles and drove about 200 feet down the road to find it had been blocked by the protestors using logs and rocks. When we got out to remove the debris, the protestors attacked again, this time in a real fury. It was obvious that my crew's lives were in danger. I shouted an offer to end the season's program with no more spraying of 2,4-D, and after lengthy and heated discussion signed a paper to that effect. I've been criticized for that decision, but if I hadn't done it, someone would have surely been badly hurt or killed."

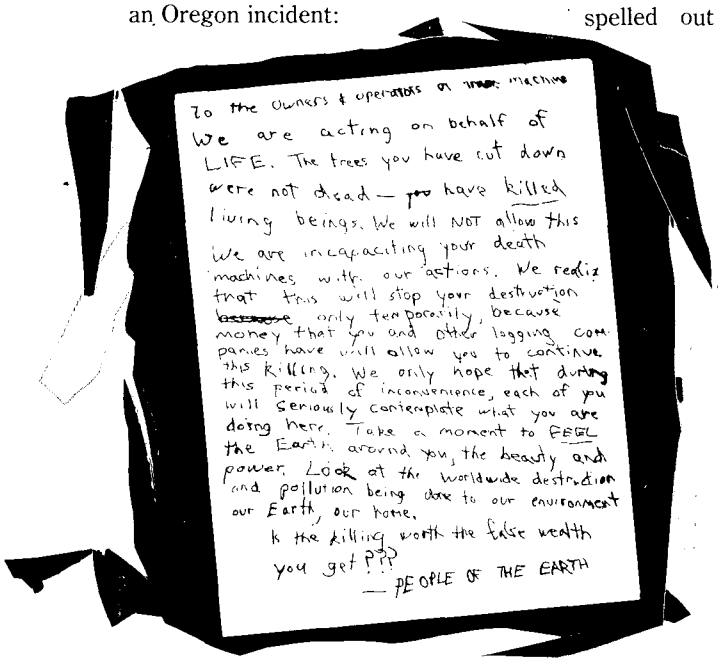
The Forest Service considered pressing assault charges, but Siskiyou Supervisor William Covey, who had not been involved in the attack, decided to try diplomacy. His efforts evidently paid off: in the two years since, antiherbicide activists and the Forest Service have negotiated their differences without incident, and the Forest Service has gone forward with its herbicide program for timber management.

Some 200 miles south, in Plumas National Forest in California, another antiherbicide protestor assaulted a forest officer in the spring of 1982. According to a Forest Service official, during a public meeting on the use of herbicides, one Doug Wellborne came forward from the audience to the speakers' table and confronted Ranger Dewey Riscioni, shouting, "You like 2,4-D so much, you son of a bitch, let's see how you like this!" Wellborne then squirted a liquid from a plastic hand-pump container into Riscioni's face three times and rushed from the room. Riscioni washed himself

Photograph courtesy of Continental Claims Service, Inc.

and continued with the meeting, suffering no injury from the unidentified liquid—there was insufficient residue for proper analysis. Wellborne was later arrested, found guilty of assaulting a forest officer, fined $200, and placed on two years' probation.

Probably the hardest-hit ecotage target is the forest products industry. Destruction of logging equipment, ranging from slashed brake lines on crew buses to arson and dynamiting of large logging machinery, is a chronic problem. Ecoterrorist notes are frequently left on the wreckage. I obtained this example from an Oregon incident:


To the owners & operators of
We are acting on behalf of
LIFE. The trees you have cut down
were not dead — you have killed
living beings. We will NOT allow this
We are incapacating your death
machines with our actions. We realiz
that this will stop your destruction
only temporarily, because
money that you and other logging com
panies have will allow you to continue
this killing. We only hope that during
this period of inconvenience, each of you
will seriously contemplate what you are
doing here. Take a moment to FEEL
the Earth around you, the beauty and
power. Look at the worldwide destruction
and pollution being done to our environment
our Earth, our home.
Is the killing worth the false wealth
you get???
— PEOPLE OF THE EARTH

We are acting on behalf of LIFE. The trees you have cut down were not dead—you have killed *living beings. We will NOT allow this. We are incapaciting [sic] your death machines with our actions. . . . We only hope that during this period of inconvenience, each of you will seriously contemplate what you are doing here. Take a moment to* FEEL *the Earth around you, the beauty and power. Look at the worldwide destruction and pollution being done to our environment our Earth, our home.*

Is the killing worth the false wealth you get???

The message was signed "People of the Earth." Agents of the US Bureau of Alcohol, Tobacco and Firearms, involved because of the use of explosives, have been unable to apprehend the saboteurs.

MANY ECOTAGE VICTIMS, particularly those in private industry, assume there is some underlying conspiracy, controlled perhaps from Moscow or Peking. My years of experience in the environmental movement lead me to believe that this assumption is far from the truth. Environmentalism, even the radical ecotage elements, appears to be an entirely home-grown phenomenon. There are indeed definite linkages between all environmental groups, but a conspiracy theory comes from a failure to grasp the true nature of movements.

Anthropologists and sociologists have for many years studied movements in general and the environmental movement in particular. Two noted scholars, Luther Gerlach and Virginia Hine, have spelled out the actual workings of movements in numerous scientific journals and in their books, *People, Power, Change: Movements of Social Transformation*, and *Lifeway Leap: The Dynamics of Change in America.* Their studies may cast some light on the issue of ecoterrorism.

Gerlach and Hine discovered five factors crucial to the growth of a movement: its organizational structure, favored patterns of recruitment, ideology, personal commitment, and opposition. Movements are not organized according to the familiar bureaucratic pyramid structure with a central authority, hierarchies of leadership, and clear channels of command as found in business and government. Movements instead have a unique structure characterized by the acronym SPIN, as Gerlach and Hine would have it, which stands for Segmented, Polycephalous, Ideological Networks.

Movements are segmentary—composed of many cells or organizations, each of which may emphasize a different aspect of the movement's goals. They are decentralized, or polycephalous ("many-headed"), which means that no one leads a whole movement or can even speak for a whole movement. Rather, each group or cell leader influences his or her own group and may also form coalitions with other segments of the movement.

Movements have an ideology, a set of beliefs that act as the "glue" binding the whole structure together. The environmental movement's ideology centers around certain ideas borrowed from the biological sciences and transformed into social ideals: the notion of an ecosystem, earth as a closed system (spaceship earth), limited resources, the need for radically altered lifestyles to avoid ecocatastrophe (a thoroughgoing cultural transformation to a no-growth or "steady-state" economy), and massive centralized control to implement these social changes.

(It is ironic that even though most environmental groups individually emphasize cooperative communal living and the decentralization of power, they all lobby for strong federal controls and trust the bureaucratic model of environmental protection. As environmental philosopher William Ophuls expressed this part of the ideology in *Ecology and the Politics of Scarcity*, the alternatives are "authoritative rule or ecological ruin." Likewise, in an essay in *Environmental Politics* he wrote: "The problem that the tragedy of the commons forces us to confront is, in fact, the core issue of political philosophy: how to protect or advance the interests of the collectivity as a whole when the individuals that make it up . . . behave in a selfish, greedy and quarrelsome fashion. The only answer is a sufficient measure of coercion." This emphasis on collectivism and coercion is a fundamental but seldom-noted feature of environmental ideology as reflected in the movement's behavior.)

Movements are reticulate (networked) in a variety of ways: even though single groups such as the National Wildlife Federation and the Friends of the Earth may be structured according to the standard pyramidal hierarchy of command, many of these groups are loosely networked together through individual participants' shared overlapping memberships. Industrialists targeted by environmentalist campaigns frequently comment that half a dozen local environmental groups consist of the same dozen people. Networks are also formed by personal ties between leaders of different groups. The leadership of the Sierra Club, for example, has intimate familiarity with the leadership of the National Audubon Society, to the point that lobbyists for one will occasionally quit and go to work for another with no need for introductions or a break-in period. Lobbyist Brock Evans went from the Sierra Club to the Audubon Society with no difficulty, so networked were the issues the two groups had pursued. Linkages are also formed by "traveling evangelists" who move across the whole network contributing to its cohesion and ideological unity. In this way, an idea used by protestors in New York may suddenly spring up in California, Oregon, Washington, and British Columbia in the wake of a solitary traveler. The environmental movement's network is also a very effective communication grapevine and logistical financial support system.

A key point missed by most analysts of

Even moderate environmental groups promote eco-terrorism by refusing to dissociate themselves from such people.

the environmental movement is their need for opposition. Gerlach and Hine found that, as in most movements, the environmental movement embraces a typical "we-they," ingroup-outgroup orientation. As the two researchers put it, "As a kite flies against the wind, so a movement grows with the strength of its opposition. Opposition, either real or merely perceived, is necessary to promote a movement, to offer a basis for its commitment process, and it is a force against which to unite its disparate segments." James Watt discovered that his policies as secretary of the Interior Department made him one of the environmental movement's most powerful fundraisers since the days of John Muir and Teddy Roosevelt. The "mutual escalation of opposition and commitment is a hard fact of movement dynamics," note Gerlach and Hine, and "a powerful weapon in the hands of those who understand it." Movement groups actively seek out opponents and provoke attacks, then use the attacks to gain greater commitment from members and sympathizers, a fact recognized for decades by sociologists who use the term "struggle group" to describe movement organizations.

RADICAL ELEMENTS of the environmental movement that openly endorse eco-terrorism (but deny actual terrorist acts) at least encourage ecotage and may in fact participate in it, as do factions of the antipesticide segment. Even this observation does not tie the old-line conservation groups to ecotage, but I have spoken with law enforcement agents who wonder if there is not in reality some connection. Gerlach once more points us to research of use: he found that it is possible to range the various groups in any movement along a continuum of conservative groups to radical according to means and goals. While the more conservative groups publicly deplore the "impetuous newcomers" and claim that radicals will "ruin all of the things that we have accomplished and lose us the good will of the public we have so painstakingly cultivated," Gerlach discovered this telling fact: "The more mid-range and conservative groups, either purposely or inadvertently, use this radical action to spearhead their own drives and make their own demands and actions seem *comparatively* reasonable." In short, the more moderate environmental groups need ecoterrorists and other radicals to further their own advances toward social change.

I confirmed this finding quite by accident after a 1980 speaking tour during which I had quoted from the movement's philosophers such as Ophuls, Garrett Hardin, and others who appear to have an antitechnology bias against industrial civilization or who prescribe coercion as the social paradigm of their various ecotopias. Michael McCloskey, the Sierra Club's executive director, sent me an angry letter complaining that, "by implication, one would also be led to believe that the Sierra Club was committed 'to the destruction of industrial civilization.' " I responded by offering the suggestion: "Leave no question where you stand. People can't tell; they constantly ask me if the Club is out to destroy America. I tell them to ask you." I also advised that the Sierra Club should "publicly disavow environmental advocates who by word or deed act to destroy industrial civilization," noting that club publications accepted articles from and advertisements for various ecotage advocates. McCloskey's response was enlightening in view of Gerlach's research: "We no more have an obligation to run around denouncing extremists using the environmental movement than Republicans and Democrats have an obligation to go around spending most of their time condemning the views of left or right wing extremists."

Political observers will notice that McCloskey's assessment is far off the mark. Party whips in Congress constantly pressure straying members, and even environmentalist arch-foe James Watt rides herd on his conservative supporters when they become too extreme. A January 23, 1982, Newhouse News Service story headlined "Watt Spanks New Right for Pouting" describes how Watt checked criticisms of President Reagan from conservatives who thought his programs were "too weak and halting."

But this episode makes the point that even midrange environmental groups can promote eco-terrorism indirectly without open advocacy or actual participation by publishing and advertising the works of extremists and by refusing to dissociate themselves from such people. The research of Gerlach and Hine makes the benefits of eco-terrorism to midrange groups quite transparent. Radical environmentalists tend to believe that one cannot work within the system to change it, since they feel it to be responsible for not only pollution and ecological destruction but also the major ills of poverty, racism, and war. The radicals' solution, as pointed out by environmentalists Alexander Cockburn and James Ridgeway in *Political Ecology*, is "structural attack on the political and economic system itself."

Victims of ecotage will generally not discuss the problem with reporters, fearing reprisals and further destruction. Law enforcement is difficult and frustrating because of the hit-and-run guerrilla tactics of ecoteurs and the diffuse network structure of the environmental movement, which can easily hide dozens of such people in its large membership and among its legitimate staffs.

My investigation of eco-terrorism has led me to the conclusion that there is a good deal more to the environmental protection movement than its advocates care to admit. The environmental protection motives are clearly only part of the movement's ideology, and those goals appear to be inimical to free minds and free markets. How else can one interpret the constant offering of coercion as a social model by environmental philosophers or the constant lobbying for command-and-control measures by environmental activists? Eco-terrorism is a twofold weapon in achieving coercive command and control: it first burdens private enterprise with economic loss and psychological intimidation and secondly provides the midrange political pressure groups with a perspective by which to judge their own proposals as comparatively reasonable.

The problem of eco-terrorism is real and of multi-million-dollar proportions. It has serious implications for the future. Our society ought to be concerned about it. ◻

Ron Arnold is the author of At the Eye of the Storm: James Watt and the Environmentalists.

Turkeys

(Continued from p. 27)

tion headed by Sy and Riqui Leon, promoted a NOTA slot for beleaguered voters. John McClaughry, later a White House advisor during the first year of the Reagan administration, heard of the idea and dubbed it the "turkey ballot." He was chairman of the Caledonia County (Vermont) Republican organization in 1975 when he proposed to the Vermont state Republican convention that they endorse the addition of the turkey ballot for the primaries coming up the next year. Several of the delegates were enthusiastic about McClaughry's proposal; but it was finally squelched by a coalition of horrified officeholders and campaign managers. They knew a potential threat when it stared them in the face.

Ideally, the turkey ballot could be implemented in three progressively valuable stages. In stage one, voters would simply be registering a protest by pulling the NOTA lever. In stage two, a special election would be required if NOTA won. And in stage three, offices would go unfilled or be dismantled if voters insisted that NOTA "take office." At each stage, at the bottom of every column of candidates on the ballot, voters would find a space labeled None of the Above, allowing them to vote against all of the above.

One of the subtlest deceits of the current electoral system is the myth of mandate. People can now vote against a candidate only by voting for the candidate's opponent, who may be only slightly less obnoxious. Consequently, the winner's margin of victory is very likely inflated by the votes from people who despise him. Yet there's no objective way of knowing for sure. The turkey ballot even in its first and mildest form would change this. By providing an alternative to choosing the lesser of two evils, it would permit a message of voter dissatisfaction to be conveyed to candidates and observers.

At this stage of implementation, even if a majority of voters chose NOTA, it wouldn't determine the outcome of elections. But observers would undoubtedly be paying attention to what the new vote totals meant, and this would almost certainly attract some voters who feel alienated and believe they're denied a means of expression under the current arrangement.

Another advantage of the turkey ballot at this stage would be that it would probably reduce the value to candidates of name recognition and of the "coattail effect." Most voters go to the polls because of one or more campaigns they're especially interested in and familiar with; but while they're in the voting booth, they often vote in other races for a candidate with an interesting name (like Jesse James, state treasurer in Texas for many years), for a candidate with the first position on the ballot, or for a candidate riding on the coattail of a majority party. With the turkey ballot, though, voters could split their ticket and vote for the candidates they truly supported, then vote for "none of the above" in all other races. The impulse to express an opinion in every contest could be satisfied by voting for NOTA.

Yet another advantage of the turkey ballot in its first stage would be in diminishing the advantage of candidates who run unopposed. As it is now, an enormous number of political candidates have no opposition (for example, a survey by election-law expert Richard Winger indicated that out of 5,826 state legislative races in 1976, there were 1,942 with only one major-party candidate). But with the turkey ballot, every candidate would always be opposed. And the number of votes cast for NOTA could serve as a signal to potential opponents of the incumbent, letting them know when the time was ripe for a challenge.

Once America learned to love the first stage of the turkey ballot, it could be strengthened to provide for a special election whenever NOTA received a majority of the votes. For the special election to have any credibility, none of the people already beaten by NOTA would be permitted to run a second time. This would provide interesting opportunities for candidates who might not normally even consider running for office. The value of party machinery could very well be negated. Leaders of other public advocacy institutions would be able to enter the political arena directly whenever NOTA demonstrated the radical need for new faces. Party hacks would no longer be as attractive as outspoken ideologues with real ideas.

This one potential power of the turkey ballot is breathtaking. Campaign styles would change almost overnight. And eventually, campaign content would very likely change as well. At present, all candidates know that one of them will win, no matter how bad they all are or the campaigns turn out to be. The only real challenge is quite simple—make sure the other person loses. Mud-slinging duels between loud-mouthed personalities are thus inevitable. They may turn off the voters, but that doesn't matter as long as a majority of those who do show up vote for you. The electorate as a whole becomes irrelevant, as do ideas. Only the activist minority matters, and more resources are spent on getting targeted segments registered and to the polls than in researching and addressing real issues.

Under stage two of the turkey ballot plan, this would end. Then the candidates would have to sell themselves on the basis of their own virtues, not just the other's vices. They would have to sell themselves more to the public than to their party faithful. They would have to utilize the power of ideas more than the power of the wardheeler's patronage. A more refined, informative campaign style would result. The voters would get more issue analysis and less personality profile.

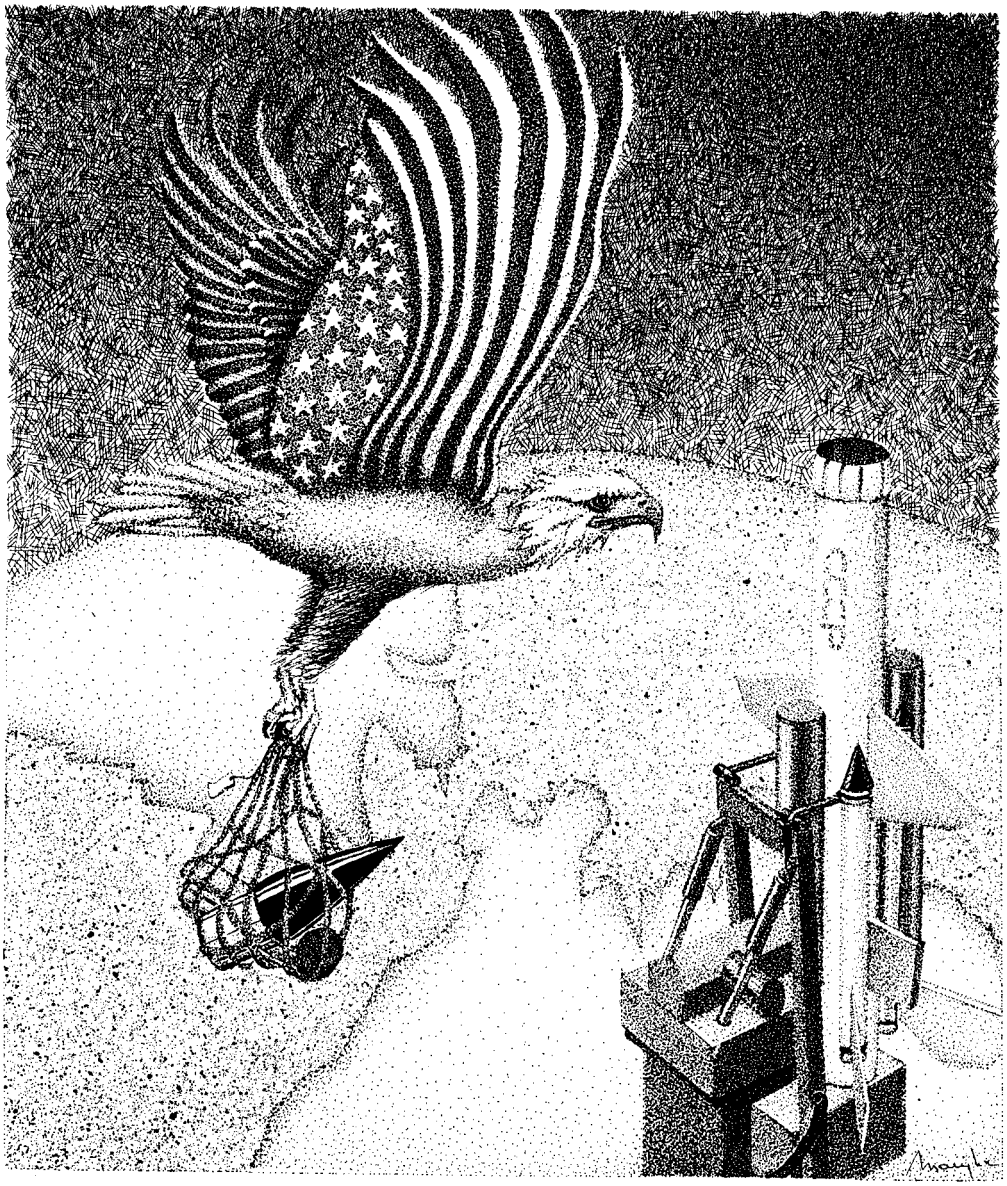
The final and strongest form the turkey ballot could take would be providing, in effect, for "none of the above" to take office. If voters repeatedly gave more votes to NOTA than to any of the candidates for office, that would be taken to mean that the office should remain vacant and its powers discontinued or passed down to the next level in the chain of command. If offices of authority could be abolished in this manner, the use of elections to seat bureaucrats might prove more desirable than having the endless lists of appointees that presidents and other chief executives now make. There is a long overdue need to curtail the power of the imperial presidency with elections (and NOTA rejections) of lesser officialdom. It can only help to give names and faces to today's faceless bureaucrats, making them accountable to the democratic process.

On the face of it, the prospects of the turkey ballot seeing the light of day are not encouraging. Most politicians would welcome a "none of the above" slot on the ballot about as much as they would welcome a skull fracture, and in Nevada, where the legislature approved it in 1976, the idea hasn't quite caught on fire yet: in the 1982 elections, NOTA didn't even approach the vote percentages received by any of the major-party candidates. But in the age of Proposition 13, the initiative-referendum process that legitimatized the tax revolt could also usher in NOTA. It is even desirable that NOTA be implemented in this way. Measures passed by the legislatures are easily tampered with and equally easy to repeal once the wave of public passion has passed. But if passed by public demand via initiative-referendum, the turkey ballot could become a cherished American institution second only to the freedom to vote in its power to guarantee the continued rule of "representative" (popular) government. ◻

Robert Bakhaus is director of the National Coalition to Legalize Freedom.

Double Dealing

US companies are selling high-tech goods to the Soviet military. . . and weapons to the US government. No wonder they object to government control of strategic trade.



BY
Juliana Geran Pilon

Unsuspecting Americans may have thought they had tuned in to a new episode of *Star Wars*, made more horrifying for mass consumption, when they heard in 1980 that the Soviets were developing a fantastic brand of laser weapons called killer satellites. The arms race having thereby escalated into the higher reaches of the stratosphere, US taxpayers soon learned that they would now have to foot an even more extravagant defense bill, required to meet the new Soviet challenge.

How could it have happened? A planned economy that cannot even deliver bread to its people seems hardly capable of outdoing the free world in strategic warfare. A few years earlier, when government officials were warned by General George Keegan that the Soviets were on the threshold of developing weapons capable of obliterating incoming missiles by throwing giant lightning bolts at them, the idea seemed altogether too unlikely. Met with skepticism bordering on ridicule, General Keegan had little choice but to resign from his post as head of Air Force Intelligence. Yet in 1980 *Aviation*

Illustrations by Marijke P. Wagner

Week & Space Technology published the news of the Soviets' killer satellites, essentially vindicating General Keegan. A new era in defense technology had thus begun, the price of initial complacency higher than even a seasoned spectator of galactic stunts could have anticipated.

But even with its more than $100-billion investment lead during the '70s, the Soviet military could never have achieved such success without help from the United States. Both illegally, and what is even more disturbing, legally—indeed, with government approval and aid—US companies have for years been supplying the Soviet war machine with sophisticated technology and equipment. Usually on credit—at times from the Export-Import Bank (Ex-Im Bank), the government agency originally set up specifically to help finance US trade with the USSR—the products of US research in high-technology areas have been flowing to the Communist bloc and helping to improve its strategic capability.

Since subsequently our taxpayers are asked to spend more to modernize the US defense system in response to the new Communist threat, a demand to end this vicious cycle is very much in order. After all, rather than continually raising the federal defense bill, it would seem much wiser to apply the proverbial ounce of prevention and simply monitor, intelligently and consistently, the sale of those items that demonstrably contribute to advancing the Soviet military. To cite William Simon's book *A Time for Action*, "We must stop building the Soviet war machine with critical infusions of our technology." As it is, we now find ourselves in "the lunatic posture of creating a balance of power *against ourselves.*"

Whether to control strategic trade seems hardly worth debating when one considers the military significance of strategic items compared with their negligible impact on the US balance of trade: in 1979, for example, even before the Carter grain embargo in response to the Soviet invasion of Afghanistan, sales to the USSR by US firms amounted to no more than 2 percent of all US exports that year, and high-technology goods imported to the Soviet Union accounted for only 0.05 percent of all US exports. But figures aside, at bottom is a theoretical question that must be addressed: Does the government ever have a right to disrupt free trade?

A good many economists, even those who concede that the US defense budget might be lower if the Soviets were denied access to technology from the industrialized Western countries, are nevertheless opposed to any US embargoes. Free trade, they argue, is as a rule the most profitable policy. If we don't sell, our European competitors will, and we will lose a lucrative market. As we shall see, however, in many areas US firms do still have a monopoly.

The free-trade proponent, moreover, has to confront a few other facts. In the first place, many strategic goods are properly subject to government authority because they were developed with taxpayers' money. Another complicating factor involves the financing of sales to the Soviet Union and its satellites. Indeed, the question of skyrocketing Eastern bloc indebtedness—a large chunk to Western governments—is a matter of grave importance, with explosive implications for Western security.

Financial considerations aside, however, at bottom the crucial issue is national security. For, useful as economic calculations may be in this discussion, a more fundamental consideration is the government's quintessential duty to protect its citizens. Because of this duty, if the sale of high-technology goods poses a clear and present danger to its citizens, the government must see to it that such traffic is curtailed.

Is there really any point in discussing the financial advantages of helping our principal adversary destroy us? With characteristic directness, the father of the free market, Adam Smith, wrote in his *Wealth of Nations* in 1776: "Defense. . . is of much more importance than opulence." The statement appears to have impressed Smith as self-evident.

Smith understood well the economic implications of an embargo and was willing to admit that it could be, at least in the short run, unprofitable. He cited "the Navigation Laws" as an example of trade regulation that was deleterious to profit and efficiency. One effect of those laws, he told his countrymen, was that "[we] are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade." The reason he would nevertheless endorse such a policy: "As defense, however, is of much more importance than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England." No one can accuse Adam Smith of having advocated the pursuit of profit at any cost; on the contrary, that pursuit can only take place in an atmosphere free of threat, in a liberal society master of its own fate.

Today, that is what hangs in the balance. Vladimir Bukovsky said it brilliantly in his article "The Peace Movement and the Soviet Union," published in *Commentary* magazine in May 1982: "The issue now is not 'peace versus war,' but rather 'freedom versus slavery.' Peace and freedom appear to be inseparable, and the old formula 'Better red than dead' is simply fatuous. Those who live by it will be both red *and* dead." The solution to the Soviet threat is not to keep increasing our own defense spending, but rather, not to make it easier for the Soviet Union to increase and improve its arsenal.

Several news events in the past few years have focused the spotlight on US firms or individuals conducting illegal trade with the Soviet Union. For example, according to a document obtained by the *Los Angeles Times* in early 1980, investigators for the Department of Commerce had discovered that several companies were illegally exporting to the USSR equipment of use to the Soviet military. Spawr Optical Research, Inc., of Corona, California, was convicted on December 13, 1980, of using a West German intermediary to sell the Soviets laser mirrors despite warnings that such equipment would be used in killer satellites. Two northern California companies pleaded guilty to the charge that they shipped semiconductor equipment to dummy firms in Canada, then had it reexported to Switzerland for eventual receipt by Moscow. NBC television exposed the "California connection" in a fair, if brief, three-part series on East-West trade broadcast on the nightly news in December 1980.

What is most interesting about the NBC report, however, is that it also featured Lawrence J. Brady, a man who has pointed to the main offender in transfer of strategic technology to the Eastern bloc: our own US government. Previous to the NBC report, Brady had not exactly captured the front-page

headlines. *60 Minutes*, for example, had scheduled an interview with him to be aired on March 2, 1980, but it never materialized. Yet Brady, former deputy director of the Office of Export Administration before he was unceremoniously (and illegally) fired for blowing the whistle on his superiors, had quite a story to tell.

In testimony before the House Armed Services Committee in May 1979, Brady explicitly charged the Commerce Department with failing to adequately protect the national security interests of the United States by neglecting to conduct full investigations of persistent reports of Soviet diversion of our technology to military uses. These charges came shortly after the appearance of a report from the Defense Intelligence Agency citing massive transfer of US and other Western technology to the Communists.

Brady's charges also corroborated testimony by a CIA official regarding the military use of the largest truck plant in the world, Kama River, built in the USSR largely by American companies (with the help, incidentally, of taxpayer-funded Ex-Im Bank credits). Astonishingly calm, then-Commerce Secretary Juanita Kreps responded to these charges by disclaiming responsibility on the ground that "military use of that plant would not constitute a diversion or violation of the law because the licenses contained no restrictions to the use of those trucks or engines."

There was evidence, however, indicating that US companies did specify in their contracts that the Kama plant would be used only for civilian purposes. When confronted with two such contracts, the Commerce Department then backed off a bit and countered that only 19 of the 150 licenses reviewed for the plant had "end-use" clauses. So it seems that the Nixon administration—which made the original decisions concerning the plant—had indeed contemplated the plant's military use but had decided to keep this quiet. The blame, evidently, went considerably beyond the Commerce Department.

But Brady wasn't through. He came up with another explosive item: an internal Carter administration memorandum dated February 3, 1977, involving a similar American-built Soviet truck plant, the ZiL factory. The memo, concerning the approval of a $6.1-million computer to be used by the factory, reads as follows:

Problem is that a quarter of the 200,000 trucks [the plant] produces annually goes to the military, including 100 missile launchers. State and Commerce support approval, on grounds that U.S. government, aware of [its] military production, has licensed exports to it several times during the 1970's, that [the number of missile launchers] is small, and that the remaining trucks for the military are basically no different from heavy duty civilian trucks.

The evidence is irrefutable: neither the Commerce nor the State department objected to the military use of the ZiL factory. And their willing accomplice was none other than Jimmy Carter, his noisy anti-Soviet rhetoric notwithstanding. For a full story of executive culpability we would have to have access to mostly classified documents. But one thing is clear: the White House knew it was helping to strengthen the Soviet war machine.

Strategic trade with the Soviet bloc virtually mushroomed during the Nixon era and continued to proliferate no less promiscuously during the Carter years. Shortly after the Republican victory of 1968, Congress had liberalized the Export Control Act, thus making it much easier to trade with the Soviets. By the time of the Soviet invasion of Afghanistan in late 1979, the list of strategic items sold to the Russians by US firms had become truly staggering. According to the testimony of Lawrence Brady, who had been working in the Commerce Department, the list includes "semi-conductors, array transform processors, computers, machine tools, chemical processes, and turnkey projects combining non-strategic and strategic technology."

But even among those who find the situation deplorable, many come back to the old lament that if US companies don't sell someone else will and that embargoes are therefore useless. The flaws of that argument, however, especially when considered together with the reality of Communist countries' indebtedness, should give them pause.

In the first place, the data base for deciding foreign availability is, according to Lawrence Brady and other experts as well, often "weak to nonexistent." But it is certainly noteworthy that the US government rather than its Western allies has become the chief offender in seeking waivers of the CoCom (Coordinating Committee for Multilateral Export Controls) embargo against strategic traffic with Soviet bloc nations. In 1962, out of 124 requests for exceptions, the United States was responsible for only 1.6 percent; by 1978, that number had escalated to 62.5 percent of a total of 1,050. (A cutback since that time is a matter of too little too late.)

But these figures are merely indicative. And no system for determining foreign availability is currently available. A study by a private research group submitted to the Department of Commerce in 1980 concluded that "a system for making foreign availability assessments during the decade of the 1970's did not exist and such assessments were made on an ad-hoc basis." Moreover, the report said that interviews with government administrators and industry representatives indicated that determination of foreign availability was not a significant factor in reaching decisions on export licensing cases. As a matter of fact, US firms still have the competitive edge over other Western producers in several areas, such as computers, machine tools, radar components, jet engines, satellite reconnaissance systems, and myriad seismic tools used in oil exploration, of which underwater listening devices are the most sensitive.

Another interesting fact is that the Soviet government often prefers to do business with US giants like IBM and Control Data, sometimes even when a European competitor offers them a lower price. As Marshall Goldman pointed out in his 1975 study, *Defense and Dollars: Doing Business with the Soviets*, in such cases as the Kama River plant the Russians were set on having us help them build it. In Goldman's words, they "simply felt that American equipment and engineering were the best available and they wanted the best for their industry, regardless of the cost." Besides, "only the U.S. came close to matching the size of the Soviet market. Discussions with Soviet officials always leave one impressed with how preoccupied the Russians are with the importance of size."

The foreign availability argument is at times so thin as to raise serious suspicions about its validity when applied in other, less easily verifiable, instances. President Carter used it, for example, in the summer of 1978 to justify his approval of a controversial sale by Dresser Industries of a $144-million plant for the manufacture of deep-well oil-drilling equipment,

even though a Defense Science Board task force headed by Texas Instruments president J. Fred Bucy had declared categorically that the technologies involved were "solely concentrated in the United States." Sen. Henry Jackson (D-Wash.) charged that the president, in ignoring the opposition of a National Security Council (NSC) task force, had succumbed to pressure from both the Commerce Department and Dresser Industries. The NSC opposition, by the way, was due partly to the fact that the Dresser sale included the transfer of a computerized electronic beam-welding machine that can be used to manufacture jet aircraft—to say nothing of its nuclear and even laser applications.

A good many corporate leaders appear quite ready to concede the shakiness of the foreign availability argument in many cases—computers, for example—but claim nonetheless that we should sell the Russians such sophisticated items because it will be profitable in the long run. After all, the Soviets, so the thinking goes, will need to buy maintenance equipment from us, and we will have a corner on that market for years to come.

The evidence, however, seems to point to an altogether different scenario. According to an article in the February 1980 issue of *High Technology*, for example, the Soviets had so far bought from US firms over 50 different models of computers, but most of them included the technological know-how enabling the Soviets to build their own. The amount of Western spare parts bought for those computers had been outright negligible. The reason is simply that the Soviets are, in fact, copying our machines. When some up-to-date integrated circuits exhibited by the Soviet Ministry of Electronics were examined closely a few years ago, they proved to be virtual copies of those made by Mostek Corp., an American pioneer in the business.

Nor are these computers insignificant to the Soviet military. The Eastern bloc's air defense system is believed to be built around IBM 360 and 370 computers. With an air traffic control system based on Western-manufactured radar devices and computers, the Soviets have air-defense control capabilities made possible by Western technology. We nevertheless go on supplying the Communist bloc with computers. Control Data alone has sold $50 million worth and is continuing to push vigorously for increased East-West trade.

Let not the idea of trade, however, obscure the highly singular character of commercial relations with the so-called nonmarket countries, whose ability to pay for the goods they need is, to put it mildly, very much wanting. Much of Eastern trade with Western firms, in fact, is subsidized by the taxpayers—this despite the already alarming debt of the Soviet bloc. It was alarming as far back as 1977 when its indebtedness to Western sources was only $40-$45 billion, as opposed to almost $90 billion today. The *Wall Street Journal* reported in February 1977 that many observers were becoming concerned about the possibility of Soviet blackmail. Today, the debt issue is clearly explosive.

And the USSR knows exactly what it is doing. The Soviet news agency TASS, on February 2, 1982, suggested that the Soviet bloc and the USSR had both the United States and Western Europe over a barrel on the debt repayment issue. Wrote TASS, "It should be recalled that Western Europe's business circles have long been at the existing situation from a notably more realistic viewpoint than Washington was until recently. The *Times* of London called on December 17 for displaying realism dictated by the West's own interests, for banks were 'hostages' to their debtors."

These Western credits, of course, are not simply private. Even when they are not explicitly guaranteed by the government, when crisis threatens the government steps in with taxpayers' funds. In the wake of the US government's bailout of banks over the Polish debt crisis in January 1982, it would be worth considering American investment specialist Felix G. Rohatyn's suggestion:

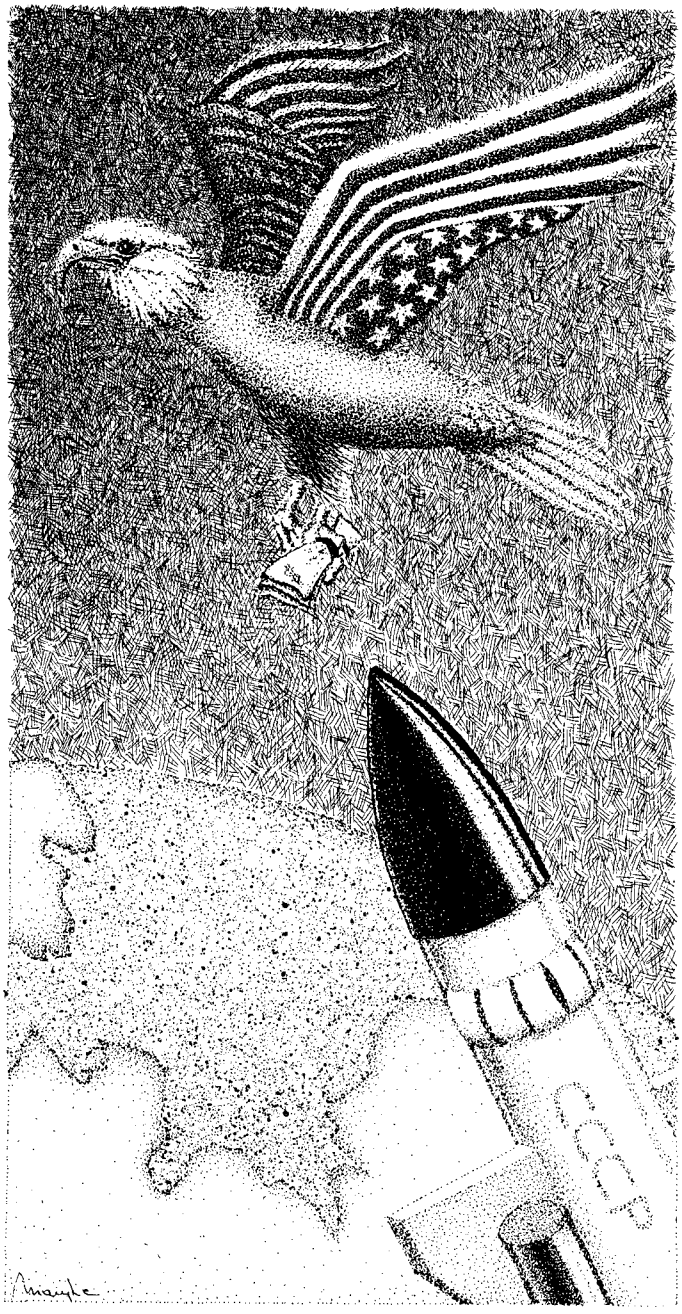
> *We should put the economic burden of the satellite states squarely back on the Soviet Union and point up the bankruptcy of the Communist system by declaring bankrupt one of its units. When the economic burden grows sufficiently heavy, the Soviet Union may become more accommodating and, together with the United States, may find it in its self-interest to reduce drastically defense budgets neither can really afford.*

For surely it is bizarre for us to help the USSR in its aggressive designs—with obvious implications for our own safety, let alone our freedom.

The Soviet government, of course, is acting in a manner altogether sensible. Who, after all, can blame them for preferring not to pay if they don't have to? Even less can we object to their accepting with alacrity our generously offered gifts. US firms, for example, have trained hundreds of Soviet technicians in the United States. Teams of Soviet specialists—ostensibly looking into possible purchases—have been allowed to tour defense-related US plants. A member of one such group, which closely inspected the Boeing, Lockheed, and McDonnell-Douglas factories in 1973 and 1974, admitted privately to a Boeing official that purchases had never been contemplated—meaning, of course, that the group's real purpose had been industrial spying. Need we mention, too, those so-called student exchanges? In the words of a recent Office of Technology Assessment report, *Technology and East-West Trade*, "Since 1972, Soviet 'students,' who are usually experienced engineers, scientists, and managers of R&D establishments, have concentrated on study programs in the U.S. in semiconductor technology, computers, and other fields of applied research."

But if Soviet behavior is readily explicable, the same cannot be said for ours. Why do Western businesses and governments seem so anxious to overlook the cost of strategic trade with the Communist bloc? Part of the answer is that not quite everyone is losing—not, at least, losing equally—in this game. To be sure, the higher defense budget prompted by more sophisticated Soviet technology is borne by every taxpayer, individual and corporate, but companies like Control Data and Dresser Industries still appear to come out ahead, at least in the short run. As for government help with financing, many an American business owner has been known to overlook the source of his income. Should it surprise anyone that the US Chamber of Commerce is warmly in favor of increasing the budget of Ex-Im Bank?

What is less clear is why taxpayers are putting up with all of this. The most likely explanation is that they are not really aware of what is going on. An NBC news spot on East-West



trade, for example, could hardly be expected to provide sufficient impetus for a revolt. The media, moreover, will now have even less information on this issue, thanks largely to the efforts of Congress.

In 1980, Congress carried off a maneuver to keep the lid on data concerning East-West trade. The National Journalism Center had attempted to obtain precise information—collected by the Commerce Department—on who is selling what to the Russians. When the Commerce Department balked, the center, invoking the Freedom of Information Act, took the case to court. Consistently enough, the courts declared that, absent legislation to the contrary, the Commerce Department had to open its files. Not unexpectedly, Congress obliged and came up with the required cover-up legislation. The bill, touted as a "compromise," permits access to only the most general data about what is being shipped East and allows shippers to conceal their identity by requesting confidential treatment. US firms do not have to worry now about irksome protests from mere taxpayers nosy about their national security.

Notwithstanding their legitimate quest for profit, one might think that business owners would be no less concerned than anyone else about contributing to the growing power of a nation whose leader announced less than a decade ago that by 1985 "the Soviet bloc countries will have achieved most of their objectives in Western Europe and reached a decisive shift in the correlation of forces so that they will be able to exert their will wherever they need to." But it seems that US business executives do not believe such statements of Soviet goals.

On the contrary, it appears that some of our own *weapons* manufacturers are eager, even impatient, to do business with the Soviet government. According to John Markoff, writing in *Inquiry* magazine in July 1980, "Some of the corporations at the very heart of the defense establishment" were angry at Jimmy Carter's embargo on strategic goods to the USSR because they found themselves "having to forgo lucrative trade opportunities in the name of national defense." Lucrative indeed, when the United States in turn must improve its own defense capabilities to catch up with the Soviets who—with our help—keep updating their war machine. The full picture apparently escaped Markoff, who saw a paradox where none exists. Puzzled, he continued: "The development of socialist high-technology markets has given rise to wonderful ironies: Major U.S. multinationals have set up pro-trade, pro-detente groups like the US–USSR Trade Council and the American Committee for East-West Accord, while at the same time retaining their charter memberships in anti-Communist defense spending organizations." What may seem ironic is by no means incomprehensible from a myopic pecuniary perspective.

The problem is actually of enormous proportions. According to a Washington-based confidential source, for example, one of the largest transnational corporations (for which he works) has been engaged in direct sales of electronic equipment to anti-West regimes. In one case, transmitting equipment was supplied to the Soviet puppet government in Afghanistan. It is no exaggeration to claim that the dimensions of this explosive item of information are immense.

If the evidence is presented to them, most taxpayers will readily see that they are, to put it politely, being had. But there are signs that the public, once its consciousness has been raised, is willing to stand up for its own safety and for its defense dollars. According to the Washington-based Investor Responsibility Research Center, shareholders in a number of companies have been asked in the last few years to vote on resolutions to terminate business and trade relations with Communist countries. One California group, Stockholders for World Freedom, proposed that Occidental Petroleum report the extent of its trade with the Communist bloc. A member of the group submitted a shareholder resolution asking Rockwell International (the Defense Department's 15th-largest military contractor) to cease all trade with Communist nations. The resolution reads in part:

Rockwell, as a prime defense contractor, ought not to be helping [Communist] threats to world peace and free societies. We

should instead direct our resources toward our own economy and our Free World Allies. If you are considering voting against this proposal merely out of an abstract sense of political tolerance, consider further that you would be voting against the best long-run interests of yourself, your family, your corporation, and your free country.

All well and good. Yet the resolution contains a fatal flaw. In the words of Rockwell's board of directors:

To the extent that foreign trade with a particular country or countries is considered to be inconsistent with United States Government policy objectives, controls or embargoes are imposed. Decisions on these matters are properly in the domain of the Government and not, in our view, in the domain of corporations.

Without a doubt. Stockholders are entitled to expect a company to invest their money as profitably as possible. The business of business is surely business rather than foreign policy. This is not to say that Rockwell, any more than the rest of us, should be oblivious to the security of the United States. But the evaluation and implementation of national defense policy is the quintessential job of government.

It was John Locke who stated most plainly and eloquently, before this country was born, the principal reason why people form governments. "The great and chief end of men uniting into commonwealths and putting themselves under government, is the preservation of their property"—meaning, specifically, their "lives, liberties, and estates, which I call by the general name—property." Life, evidently, came first.

In truth, a great number of people would undoubtedly go along with the principle of an embargo on the sale of high-technology goods to the Communist countries were it possible to demonstrate beyond refutation that such a move would be absolutely effective in protecting our national security at a reasonable cost. Such rigid demonstration, of course, is impossible. All the evidence already adduced to illustrate the US contribution to the Soviet military cannot possibly provide *proof* of what would happen in the absence of that contribution. Yet to dismiss the evidence as irrelevant would be to abandon rationality altogether.

Opting for an embargo, however, is still a long way from imposing it effectively. The first problem is to determine with some degree of accuracy what items qualify as strategically significant enough to warrant controls. It has been argued, for example, that everything we sell, including wheat, contributes to the growth of the Soviet military insofar as assistance from us frees up funds for the Soviet war machine. While that argument is not without some merit, particularly if the wheat sales, for example, are subsidized, it is possible to make distinctions. Some items are clearly useful to the Soviets solely for military purposes (laser mirrors, for example). Others have a combined military and civilian usefulness (a truck plant, for example), and the strategic element must be carefully weighed. Still others contribute to the well-being of the Soviet population but are not of strategic significance.

It is high time we broke the vicious cycle of contributing to the Soviets' defense buildup and boosting our own defense spending to meet the challenge; of allowing, even encouraging, US firms to profit with the left hand from selling strategic technology to the Soviet government and with the right hand from building weapons for the US government. As American taxpayers face yet another grossly imbalanced federal budget in which defense appropriations are held sacred, the issue of strategic trade with the Soviet bloc cannot be ignored. ◻

Juliana Geran Pilon is a policy analyst at the Heritage Foundation. She has a doctorate in philosophy from the University of Chicago.

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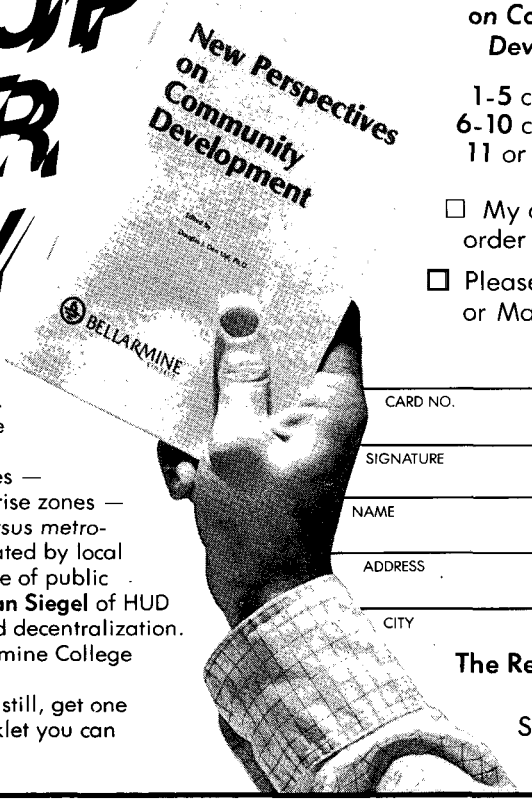

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VIEWPOINT

Bucks Stopper

BY TOM BETHELL

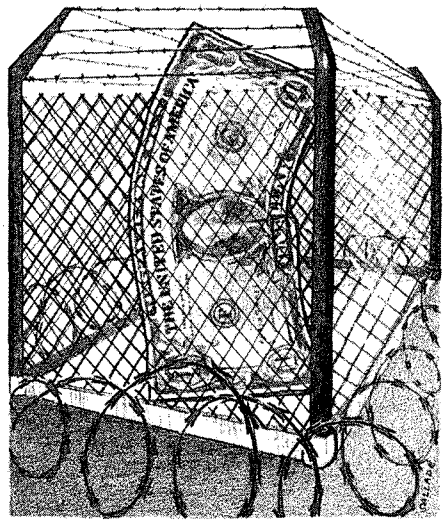
Why is it that conservatives like Jack Kemp (R-N.Y.) and liberals like Robert Byrd (D-W. Va.) are united in their dislike of monetarism? For very different reasons, I hope to show, as I try to shed light this month on the controversy surrounding the monetarist experiment.

Put as simply as possible, monetarism is a theory which recognizes that the amount of money circulating in a country must be subject to some constraint or rule if the money is to retain its value over time. For a long time in this country and in others, the money supply was constrained by its convertibility into gold, which in turn was obviously linked to the real economy of labor and production. But after 1933 the links between money and gold were gradually loosened and then completely broken in 1971.

So by 1972 there was nothing to constrain monetary growth. This was the day the liberals and the left had dreamed of. Now only a compassionate Federal Reserve chairman was needed, and then everyone would be able to have lots of money! Poverty could finally be abolished. I think many liberals sincerely believed this. Some of them still do. (Robert Byrd may be one of them.) Well, their compassionate chairman was appointed by President Carter—G. William Miller. And if the truth be told, they had another one before him in Arthur Burns.

Anyway, as we all know, inflation took off once compassionate monetary policies were adopted in the 1970s. Liberals steadfastly refused to believe that inflation was connected with this monetary expansion. They tried to blame OPEC and (old stand-by) "LBJ's refusal to raise taxes to pay for guns and butter." (Such nonsense: fiscal 1969 was the year of the last balanced budget.) Even though they had the press solidly on their side, with the TV networks saying not one word about money supply figures, the liberals lost that war. The connection between monetary aggregates and inflation could not be denied.

Enter monetarism. To have a stable price level, said Milton Friedman and his doughty band, the quantity of money must grow at a slow but steady rate. And here was the quantity rule: the amount of money in the nation could be added up, and the growth rate of this aggregate should be comparable to the growth rate of the real economy—the production of goods and services. Notice that this was obviously superior to the feeble, "compassionate" position of the liberals, with whom Friedman & Co. were sharply at variance. Jimmy Carter eventually realized that he had to get Miller out of the Fed position, and Paul Volcker was appointed. Monetarism—the targeting of



aggregates rather than interest rates—became the announced policy in October 1979.

Since that time it has been shown without any shadow of doubt that if you reduce the monetary aggregates, or slow the rate of their increase, then you can and will bring down the inflation rate. I don't think there really was any doubt on this score, in fact. But then a new, and in my opinion serious, criticism of monetarism arose. Enter now Jack Kemp, Irving Kristol, and the supply-siders.

The crucial point may perhaps be seen if one considers the moment in October 1979 when the monetarist experiment was officially launched. At that time the "narrow money supply," M-1, was about $375 billion. (Today it is about $475 billion.) The idea was, then, that this aggregate should grow at a prescribed annual rate (of about 5 percent).

The sophisticated, supply-side criticism (as opposed to the simplistic "compassionate" one) may be expressed in the form of the following question: How does anyone know that the starting level of that prescribed monetary growth rate, $375 billion, was the correct one? Bear in mind that inflation was then soaring into double digits. The gold price was beginning its rapid lift-off. When inflation is high, the demand for money is low. People spend their paychecks as soon as possible when they know things will cost more next month or next week. So money circulates quickly—it has a high velocity when inflation is high and rising. People are forever *trying to get rid of money*—pass it on to the next guy. Consequently, M-1, which is mainly the sum of checking accounts, is *artificially low* at such moments.

So in October '79 the Fed took action to tighten up on the growth of money, raising the discount rate, selling government securities (or buying them infrequently). Then what? The inflation rate came down. And as a result, people were more content to let their paychecks sit a while in their checking accounts before spending them. Thus the velocity of money slowed down. In such circumstances there is a natural tendency for M-1 (the total of cash and all checking accounts) to rise at a faster rate than that prescribed by the strict monetarist rule. If the Fed then stubbornly adheres to its rule, at a time when the circulation, or velocity, of money has slowed down, prices will inevitably sag even further, and there is a serious threat, in economies (such as ours) built on debt, of a crash or depression. The Fed, under such circumstances, must abandon its quantity rule and try something else.

Try what? Well, the supply-siders have been suggesting for some time that the most sensitive leading indicator of inflation and deflation is the gold price. Therefore, the Fed should conduct its monetary policy with a view to maintaining the gold price within a narrow range. In short, it must abandon its quantity rule and move to a price rule. Only then will monetary policy be able to steer a course between inflation and depression. And that, of course, takes us back to the point where things began to go wrong in the first place—when the discipline of gold was abandoned.

Tom Bethell is a free-lance writer, a contributing editor of Washington Monthly, *and a columnist for* National Review.

Illustration by Susan Salladé

IRA Alert

BY STEVEN K. BECKNER

Two of our greatest fears, taxes and old age, seem particularly pressing these days. The time to "render unto Caesar" is upon us. At the same time, Americans face growing uncertainties about the solvency of the Social Security system, our supposed succor in retirement.

The answer to both worries, according to many people, is Individual Retirement Accounts (IRAs) and Keogh plans (which can be funded for 1982 up until April 15, 1983, if the accounts were established in 1982). The Economic Recovery Tax Act of 1981 made these tax-deferred pension plans much more appealing by raising contribution limits and liberalizing eligibility standards. Since then, thousands of banks, brokers, and insurance companies have deluged the public with advertisements for a diverse array of IRAs and Keoghs.

New books by Jack Egan and William J. Grace, Jr., and a special guide to IRAs published by *Money Magazine* help clear up the confusion. Both compare types of accounts and provide guidance on which best meet the needs of different investors.

"At a time when it is no longer possible to depend on social security and many private pension plans are also on unsure footing, these personal savings and investment accounts are a virtual must," writes Egan in *Your Complete Guide to IRAs and Keoghs* (Harper & Row, $13.95). "In effect, the expanded eligibility for IRAs and Keoghs sets up a voluntary second national retirement system that parallels the mandatory but troubled Social Security system."

Somewhat less gushing in his praise, Grace writes in his *ABCs of IRAs* (Dell Paperbacks, $3.95): "IRAs were never meant to be the answer to your financial worries. But they are an important supplement to retirement planning for most people."

IRAs and Keoghs sound too good to be true. And just maybe they are. Let's be cynical for a minute. The main problem, especially for young people, is that no one knows what the government may do in future years to the tax code and to the value of our money.

IRAs, to which almost anyone can contribute up to $2,000 per year tax-free, and Keoghs, to which self-employed people can contribute up to $15,000 per year in addition to IRA contributions, seem like a marvelous way to build a nice retirement nest egg. Thirty years of maximum contributions compounding at 10 percent per year buys you a $329,000 IRA and a $2,476,000 Keogh. Hence the tantalizing hype of banks, brokers, and insurance companies that we can all become "millionaires." Moreover, you get to deduct your contributions right off the top of your income each year, keep that tax-deferred income working for you, and, so the presumption goes, pay taxes in a lower bracket when it comes time to withdraw that money for your old age.

Who knows what future Congresses may do? It's conceivable you may find yourself in a "millionaire's" tax bracket.

The big doubt is inflation. It seems to be under control for now, although even a 6 percent inflation rate takes quite a toll over time. Assuming inflation of 6 percent and a 10 percent annual yield, those same 30 years of $2,000 contributions would be worth only $112,000 in today's dollars—only a third of the assumed $329,000 accumulation.

And what if inflation outpaces the yield? If you open a self-directed account with a broker or invest in a mutual fund group, and if your investments don't pay off, you could lose out altogether after inflation.

Even if you're in a savings account at a bank, there is no guarantee that the interest you earn will keep pace with inflation. It wasn't too long ago that a negative real interest rate (the rate of interest minus the inflation rate) was the rule in this country. And there are those in Congress who would like to take us back to those days by forcing the Federal Reserve to hold interest rates artificially low while pumping out inflationary quantities of money.

Along with inflation comes higher taxes under current law. The indexing of the federal income tax due to take effect in 1985 should greatly ameliorate the problem of bracket creep, but again there are those in Congress who would like to repeal indexing. Who knows what future Congresses may do? It's conceivable you could find yourself at retirement in a "millionaire's" tax bracket.

As it is, you must be careful when you start making withdrawals from an IRA or Keogh. As Egan writes, "Your withdrawal schedule should take into account how much you will wind up giving back to the government. With a lump-sum withdrawal, you may wind up giving half of it back in taxes, which will sharply diminish or virtually eliminate years of tax-deferred gains in your account."

Finally, there is the very real threat that Congress will simply change the rules of the game. It might, for instance, decide one day that those trusting souls who had the foresight to build up an IRA or Keogh retirement plan must forfeit the Social Security benefits they've paid for. "There is no predicting what steps Congress will take eventually if the funding situation becomes dire enough," Egan acknowledges.

All that having been said, IRAs and Keoghs are still a pretty good deal. They may just be an offer you can't afford to pass up. But, amid the trumpet blasts of their promoters, surely a little cautionary squeak can't hurt.

Do you have an investment question? Mr. Beckner may have the answer. Send your query along to REASON Money, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

Steven Beckner is a financial reporter and columnist for the Washington Times *and the author of* The Hard Money Book.

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ELECTRONIC REPR

Gourmet Chemistry

BY SANDY SHAW AND DURK PEARSON

A knowledge of biochemistry can enable you to improve the quality of your life in many ways. The enjoyment of food is an important goal in itself, as well as being an important consideration in nutrition. Indeed, loss of flavor perception with age is a major factor in malnutrition of the elderly. We explain here the sources of a significant flavor contribution to foods like meats, fish, and vegetables and how to markedly enhance their flavor in your own diet.

Have you ever shot a pheasant or caught a fish and cooked and eaten it within a few hours? If so, you have probably noticed an ineffable freshness and an intensity of flavor that is sorely lacking even in finest gourmet cuisine. This splendid taste experience is not due to awakening at 5:00 A.M., hiking through frozen fields, or shooting the bird yourself; it still tastes special if a friend bags it and promptly brings it home to you. The ineffable is now quite effable due to advances in modern flavor science. Two important flavor components of this "fresh" taste, IMP and GMP, degrade very rapidly after the animal's death, even if the carcass is quickly frozen.

In 1908, a Japanese scientist discovered a flavor quality called "umami" that provides the basic flavors to meats, poultry, fish, dairy products, and vegetables. The "umami" taste is attributed mainly to MSG (monosodium glutamate) and nucleotides (basic chemical building blocks of nucleic acids, RNA and DNA). These two entities are the basis of, but do not necessarily constitute all of "umami," which is the overall result of a mixture of amino acids, peptides, nucleotides, organic acids, and inorganic ions. In addition to its contribution to taste, "umami" also adds flavor characteristics such as mouth fullness, impact, and thickness.

The MSG and nucleotides affect how we perceive the basic tastes sour and bitter. The threshold concentrations of sour and bitter are increased (it takes more of either before we notice it) but there is no detectable effect on the threshold concentrations of salt and sweet tastes. The MSG and nucleotides together are synergistic; that is, their combined flavor effect is greater than additive. As people age, they tend to develop taste deficits. A major problem is a decrease in sensitivity to salt and sweet, with a resulting predominance of sour and bitter flavor notes. By modulating sour and bitter tastes, the MSG and nucleotides may be of particular benefit to older people.

In meat, for example, major flavor elements include MSG, IMP (inosine monophosphate), succinic acid, lactic acid, phosphoric acid, and pyrrolidonecarboxylic acid. In potatoes and other plant tissues, RNA is broken down by enzymes during heat processing, resulting in the formation of nucleotides such as IMP and GMP (guanosine monophosphate), important flavor elements. Glutamate is another important source of flavor in fresh vegetables. This natural glutamate content declines by up to 50 percent during the first 24 hours after harvest, depending on handling and storage conditions. Replacing the lost glutamate improves the flavor, as demonstrated in taste tests.

In freshly killed fish muscle, IMP is accumulated as a degradation product of ATP (adenosine triphosphate, the primary energy-storage molecule). The IMP is then slowly degraded to hypoxanthine, a strongly bitter substance. This bitter taste, sometimes found in stored frozen fish, may be a result of bacterial interaction with hypoxanthine rather than hypoxanthine alone.

Several Japanese firms produce a yeast that makes large quantities of MSG and the nucleotides IMP and GMP and from which these substances are extracted. When they are combined in the ratio of 90 percent MSG to 10 percent nucleotides (5 percent each of IMP and GMP) and sprinkled on foods like salt, the effect is a dramatic enhancement of the taste of meats, fish, poultry, dairy products, and vegetables. We carry containers of it in our cars so that when we eat at a restaurant, we'll be able to increase our enjoyment. It is particularly effective on bacon and other meats, gravies, soups, casseroles, and vegetables. This flavor enhancer is used at a level similar to that of salt, but it enhances flavors over a far wider range of concentrations than salt does and is much less likely to "ruin" the taste of the food through overuse.

Although a product containing MSG and IMP and GMP in this ratio is available in the marketplace (such as in some Japanese specialty gourmet stores under the trade name Flave®), it is not commonly found. A few prepared dry-food mixes (to which meat or fish are added) commonly found on supermarket shelves do use these remarkable flavor enhancers. The nucleotides are usually listed on the label as disodium inosinate and disodium guanylate. Most such products that we have tried, however, have been remarkably bland and unimaginative, something that can't be corrected with the flavor enhancers alone. Enhancement works best on high-quality, well-prepared and well-seasoned food. We consider it a gourmet's delight!

One final note: Individuals with a sensitivity to MSG should avoid large doses of it, particularly on an empty stomach; usually this response (the so-called Chinese Restaurant Syndrome, caused by dilation of the blood vessels and a release of tissue histamines) is triggered by several *grams* of MSG on an empty stomach, not the several *milligrams* (one gram equals 1,000 milligrams) used for food flavor enhancement. Few people realize that MSG is a major constituent of the human body. The average human body contains about 4½ pounds of the amino acid glutamate. Persons who must restrict the sodium in their diet should not use monosodium glutamate, disodium inosinate, or disodium guanylate except with the advice of their physician.

When we were attending a restaurant trade show not too long ago, we were amazed to find that nobody we spoke to had any knowledge of these important flavor components other than a superficial awareness of MSG, and nobody was using them to enhance the flavor of their restaurant foods. While great cooking is an art, science has much to offer the fine chef. A chef with excellent intuition about what will taste good will not be able to compete with a chef having similar intuition and also understanding some of the biochemistry that explains *why* food tastes good.

A list of scientific literature on this topic is available through REASON. Send a stamped, self-addressed envelope and ask for H&W references, February.

Sandy Shaw and Durk Pearson are consulting scientists and authors of Life Extension.

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SPOTLIGHT

Stream Cleaner

BY PATRICK COX

Seven years ago, Rich McIntyre fled what he considers an excessively urbanized Colorado and took up residence near Bozeman, Montana. He found in Montana the high-quality fishing streams and skiing conditions that he considers a necessary ingredient in the recipe for a quality environment. A good fly-fishing stream is a resource that McIntyre valued enough to pull up roots for, and he figured that there ought to be a way to make a living turning damaged streams into a fisherman's dream. So in 1978, he started Timberline Reclamations to tap that market.

McIntyre grew up in the environmental movement and considers himself an environmentalist, but he was puzzled by the animosity that had developed between that group and business. Believing that much of the conflict derived from a lack of understanding on both sides, he set up his company to make a business out of ecologically positive activity and then waited for the phone to ring. A year later, he finally got that call.

Armed with his degrees in music and marine biology, he turned a stream that had virtually no fish in it into an excellent fishing stream and his reputation began to grow. He gathered a staff made up of experts in different water-science disciplines. He developed techniques and tools specifically for transforming streams and rivers that have been damaged by dredging, channelization, and irrigation access into healthy, attractive homes for the natural inhabitants of American waterways—and attractive resources for that American figure known as the angler.

One of the tools developed by Timberline Reclamations is called the Siltsucker. It uses water jets to stir up the muck dumped in a stream, separates the water and silt from the gravel necessary for stream life, and pumps out the silt, which is deposited where it will do some good.

The results of reclamation are dramatic. On his first project—Golmeyer's Spring Creek, in Montana—McIntyre relocated a stream that had been channelized during the 1940s for agricultural purposes. Before his work, a survey turned up one fish in the entire stream. One year after completion of the project, a survey showed 168 fish over six inches long for every 1,000 feet. There was no restocking of the stream at all. Through natural migration of fish looking for a superior habitat, the stream's fish stock increased by several thousand percent.

McIntyre laughs about the reaction from the scientific community. "They said that we couldn't talk about thousands of percent increase when we started out with only one fish, but I say,

RICH MCINTYRE

'Why the hell not?' " Results in his 65 other projects in 14 states have been impressive as well. Only one of his projects has failed, and that was because of an outside force that was unrelated to the part of the stream that Timberline was working on.

McIntyre's therapy for ailing streams is not cheap. He says the cost runs from $32,000 to $42,000 a mile, including preliminary studies and execution. But those who pay to have their streams healed do not need to be ecologists to appreciate the value of his services. Though it is certain that the rehabilitation of streams is a positive environmental action, both biologically and aesthetically, there are economic benefits as well. McIntyre positively gloats when pointing out how free markets take environmental concerns into the world of long-run cash benefits. He estimates that a healthy fishing stream can double or triple property values.

On another front, he does work for large concerns that must deal with local and federal regulations. A recent project of his made possible the building of a $1-million industrial park in Washington State that would not have met local environmental standards without Timberline's considerable upgrading of water resources in the area. In that case and in others like it, multimillion-dollar investments with the attendant jobs and profits would not even be possible without the net improvement of the local environments that Timberline provides.

"Ten years ago," McIntyre says, "Timberline Reclamations could not have existed. It was business against environmentalists. We owe a debt of gratitude to those in both areas with the foresight to break through the old bullshit and see that the two can work together." But McIntyre says he fights every day to overcome suspicion about his activities. Many environmentalists see him as a hired gun, working for big-money interests, and many government people see his activities as an infringement on their turf.

The business is becoming a major financial concern, and there is talk of going public with stock sales. McIntyre has even been traveling around Europe a good bit, but he says the continent has thousands of years of tradition to overcome while the United States has only hundreds. Still, there are Europeans who are very interested in his services. At 28, says McIntyre, he's "just a fingerling." He is truly an entrepreneur who may do more for the resolution of economic and environmental goals than he gets paid for, but he does understand the connection. "I consider myself an environmentalist who is also a businessman," he says. "I started Timberline in response to a market that seemed to be wide open. I couldn't believe that nobody else was doing it."

Patrick Cox is a free-lance writer.

arts & letters

MOVIES

Reviewed by John Hospers

The Missionary

According to the current wisdom, British humor is subtle and understated whereas American humor is crude and obvious. But in the recent British import *The Missionary*, the humor is so understated that sometimes one wonders whether it's there at all.

The story is promising enough: a priest (Michael Palin, of the Monty Python gang) is so awkward and unperceptive that he's clearly unsuited for his latest priestly assignment (circa 1900), that of getting prostitutes off the streets of London, converting them to The Way, and housing them in a "Home for Fallen Women." (His fiancée of 11 years thinks this means that they've broken a leg.) The fact that most of them have no wish to change their lifestyles fails to deter

Denholm Elliott and Michael Palin in The Missionary.

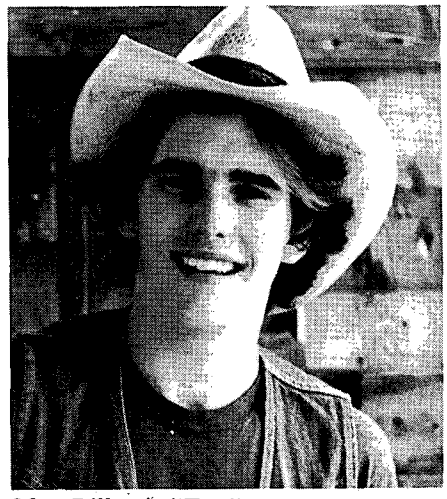
him once he has raised the money for the Home. He raises the money through the accident of a millionaire's fatal attraction to him (Maggie Smith), and she writes him checks for the Home in order to pursue a relationship with him. Meanwhile, her husband, a senile braggart ex-army officer (Trevor Howard), hasn't the foggiest idea what's going on.

The plot is so slender that many incidents are dragged in by the hair to eke it out—for example, an absent-minded butler can't find Her Ladyship anywhere in the 400 rooms of her castle and finally, still searching, locks himself out. The officer is the stereotype of the ignorant braggart, and his views are so reactionary as to be scarcely believable. The bishop is so cynical ("These people aren't worth it") that one wonders how he ever attained his position. The wife seems to have only one characteristic—wide-eyed lecherousness. And the hero of the tale has only one discernible feature—total ineptness. Yet these characterizations are no more two-dimensional than those in the Peter Sellers Inspector Clouseau comedies, which were about equally amusing as well as equally forgettable.

Still of the Night

The late Alfred Hitchcock has had many imitators. Most successful, though in an overly self-conscious and arty way, has been Brian De Palma (*Dressed to Kill*). Robert Benton is less successful, if we can judge by his current film, *Still of the Night*. Roy Scheider plays a New York psychiatrist, and Meryl Streep plays a murder suspect with whom he falls in love while investigating a patient's death. Scheider shows none of the varied talents he exhibited in *All That Jazz*, and Streep, a fine actress, succeeds only in looking distant and mysterious.

The film totally lacks Hitchcock's humor and playfulness, nor does it exhibit any of Hitchcock's effectiveness at inexorably building tension. There are a couple of scary moments, thanks to some unoriginal camera tricks. There is an extended dream sequence, which in Hitchcock (for example, *Spellbound*) would not only build tension but have psychological significance but which in this film only indicates some unexplained power of precognition. You'd be better off viewing an old Hitchcock film again than wasting money on this turkey.



Matt Dillon is "Tex."

Tex

In *Tex*, the Walt Disney studios have finally produced a film of some intelligence and maturity. The setting is contemporary Oklahoma, and two boys whose mother has died and whose father has virtually abandoned them are trying to make it on their own. The teenage problems treated include drugs and sex, hitherto unprobed in Disney films, and are handled with intelligence and realism.

There are still traces of the old Disney. Problems are resolved somewhat too neatly. Things have a way of turning out so as to maximize happiness for everyone concerned. There is more than a hint of old-fashioned Pollyanna sentimentality. Still, all this can be quite refreshing after a season of downbeat film fare. There are not many current films that make you feel good afterwards. In *Tex* we have an engaging and warming story about growing up, in the tradition of other fine films of the last two years, *Breaking Away* and *My Bodyguard*.

John Hospers teaches philosophy at the University of Southern California. His recent books are Understanding the Arts *and* Human Conduct *(2nd ed.).*

THEATER

Don't Cry For Argentina

By David Brudnoy

"Don't cry for me Argentina," Evita sings to her people; "the truth is I shall not leave you/Though it may get harder/For you to see me/I'm Argentina/And always will be."* So ends the tale of Eva Duarte Peron, as transformed into stage opera by Andrew Lloyd Webber and Tim Rice.

Evita has played, is playing, or will play in virtually every country in the Americas, not including Argentina, in most of the great cities of Europe, and now throughout the United States and Canada. It holds enough awards to bring any trophy shelf crashing to the ground, and like its predecessor by Webber and Rice, *Jesus Christ Superstar*, it crashes deafeningly on the ears and in its best moments pounds on the mind and tugs at the gut. *Evita* cannot truly be called a great work of music and lyrics, but it is intensely powerful theater. Harold Prince is responsible for the occasionally brilliant and always satisfying direction, and a string of splendid casts has brought the show to huge audiences everywhere. *Evita* is becoming the adult road show of choice, as *Annie* a few years ago became the road show for the family and kiddie trade.

Annie, however, is nicey-nicey; *Evita* is a downer, gloriously depressing and more than a little propagandistic; more than a little interestingly viewed in the context of current American politics, too. Argentina in the late 1940s and early 1950s had its actress at the center of power; for America in the early 1980s the analogy is facile, too facile, but perhaps instructive. The show, which began as a double record album before it was staged in 1978 in London, was obviously not designed as a commentary on an American presidency that had not yet materialized and that appeared in 1978 only a dim possibility. But something about the early career of Ronald Reagan—radio announcing, then, later, screen acting—comes to mind, perhaps almost automatically nowadays, while watching the rise of Eva Duarte from nightclub and stage actress to highly paid radio star, this on the way to the presidential palace in Argentina.

Evita is not a cry against actors in politics, but it helps us see the connection between acting and politics, rarely so successfully effected, if briefly, as in the careers of Juan Domingo Peron and his wife. Peron was one of many contending would-bes in the early 1940s; Eva saw in him perhaps more than he at first saw in himself. She certainly knew how to dramatize the moment and make it hers, and theirs. In October 1945, Peron was arrested and imprisoned. Eva, by then his mistress, organized popular demonstrations on his behalf. Five days later he was released, and the temporarily unfortunate vice-president was on his road to the presidency, which he won in February of the next year. Six years remained for the Perons together. She died of cancer in July 1952; Peron survived another three years in power and then fled to Uruguay and eventually to Spain. Peron's story goes on for two decades more, but *Evita* ends with Eva's death, when the fizzle went out of Peron if not, quite yet, out of Peronism.

We are drawn into a wildly improbable affection for Evita.

Evita is highly stylized drama, truly operatic—not musical theater as we know it primarily through musical comedy. There are moments of comedy in *Evita*, but they are few: this is the story of an ascendant and descendant wielder of influence and power, and it is grimly told. Che Guevara, born in Argentina though only 24 when Eva Peron died, performs the function of commentator and clarion of the people, as well as symbol of the oppressed, throughout *Evita*. Though we think of Che because of his close association with Fidel Castro and with the cause of modern Cuba, and that of revolution throughout Latin America in his (presumably) last days, his family in Argentina was anti-Peronist and he, too, expressed anti-Peronist sentiments during Eva's life. Though there is no reason to think that they ever met or exchanged glances, the presence of Che in Eva's story seems neither forced nor inappropriate.

This is Eva's life, but it is also Che's political evaluation bubbling up to the surface. *Evita* begins with Eva's death, with Che appearing almost immediately to scoff: "Oh what a circus! Oh what a show!/Argentina has gone to town/Over the death of an actress called Eva Peron."* Eva's first appearance is as the voice singing "Don't Cry for Me Argentina," the show's most—some would say its only—memorable tune, which returns in various versions several times. Eva urges Argentina to cry not just for Eva but for everybody and to share her glory and her coffin. To which Che responds: "It's our funeral too." By the end, when she tells Argentina not to cry for her, she informs the world that *she* is Argentina "and always will be."*

Between those two moments, a life has been episodically recreated, its essence beautifully, pointedly captured, the lines of that rise from obscurity to the top sketched in a series of bold strokes: the girl conning a second-rate entertainer into taking her to Buenos Aires; her use of various men for favors; her meeting with Peron and quick intrusion into his life; her manipulation of his career for *their* benefit; her triumphs. The decline is less successfully portrayed, perhaps because we have been drawn into a wildly improbable affection for this scheming, single-minded woman, whose demagoguery is clear to us even if it wasn't to the Argentine masses. Admiring her, we recoil from her illness and death. Only Che retains his distance throughout, sneering at the masses whose queen is dead, whose king is through: "She's not coming back to you!"*

Andrew Lloyd Webber and Tim Rice have mined some of this territory before, in their story of Jesus, the superstar. They stand firmly in opposition to the powerful simply, even almost simplistically, as champions of the dissenters, determined to pound home that message. The success both of *Jesus Christ Superstar* and of *Evita* demonstrates at once the wide appeal of that stance in the contemporary theater and the skills of these two talented young men in capitalizing upon it.

Contributing Editor David Brudnoy is arts critic for WNEV-TV (CBS) News and WRKO-AM (ABC) in Boston. He hosts a nightly talk program on WRKO, writes regularly for the Boston Herald American, *and syndicates a thrice-weekly newspaper column.*

*Lyrics by Tim Rice, Music by Andrew Lloyd Webber. Copyright © 1976, by Evita Music, Ltd., London, England. Sole Selling Agent Leeds Music Corporation, 445 Park Avenue, New York, NY 10022.

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BOOKS

Minority Myths, Uncomfortable Facts

Ethnic America: A History
By Thomas Sowell
New York: Basic Books. 1981. 336 pp.
$16.95. $9.50 paper.

Markets and Minorities
By Thomas Sowell
New York: Basic Books. 1981. 160 pp.
$12.95. $5.95 paper.

Reviewed by Jack D. Douglas

"The most bitterly criticized features of slavery—callous overwork, sexual exploitation, Negro fragmentation, and self denigration of blackness—were worse in the West Indies than in the United States." Today, "second generation West Indians have higher incomes than whites. . . .[and] 52% higher nationally" than other blacks.

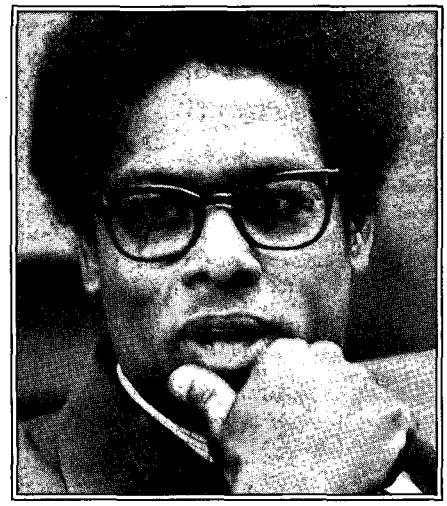
Anyone addicted to simple-minded statistical fads and foibles, especially "correlationitis," would obviously conclude from Thomas Sowell's statistical facts in *Ethnic America* that the worst possible conditions of slavery are best for the slaves in the long run. Anyone taking that simplistic view might even feel forced into a Toynbee Theory of the Amelioration of the Masses: extreme challenges lead to the most extremely effective responses; therefore, if you want people to do well in the long run, immiserate them in the short run. Come to think of it, that applies beautifully to the whole American experience and to the experience of so many of us in our own lifetimes (and it is the theory of psychologists studying "survivors").

But, fortunately, Sowell is neither aiding and abetting statistics fraud nor launching a Grand Theory of Toynbeeism (nor supporting slavery!). There is more to his West Indian comparison with American slaves.

The paternalism of American slaveholders, which sprang from their being much closer to their slaves and concerned about them as a long-run capital investment, led even after emancipation to the "furnish system," which encouraged dependency. (Knowing the sharecropping paternalism and dependency that still prevails in much of the rural South, this has always seemed obvious to me. It is absurdly tragic that "learned" do-gooders have so vastly reinforced this, making blacks dependent sharecroppers in the welfare state.)

The extremely exploitative treatment of the West Indian slaveowners, in contrast, led to far greater suffering, mortality rates, and so on, but also to more independence. There are also other factors, however: West Indian blacks had private plots, which provided an incentive to work, save, and invest in themselves; they were prepared for emancipation rather than suddenly freed; and they were freed a generation earlier.

In short, a careful partialing out of effects, and a use of common sense and



Thomas Sowell

wisdom about mankind gained from great learning, show conclusively the absurdity of claiming that "racism did it all." Racism, ethnicism, sexism, classism, personalism, and so on have been important parts of the American experience—much less than in most societies, but still important. But the free market provided a means by which all of this could be and was overcome by Jews, yellows, browns, reds, blacks, and so many others—all in proportion to how well they played the game of economic freedom, which is more dependent on past culture and individual experience than on anything else.

The vast array of statistical evidence and argument used by the "grand inquisitors" of the American way is mistaken, mythical, or downright fraudulent. The minute details of those blunders and frauds experienced in negativistic action programs (fraudulently called "affirmative") have been exposed in the pages of the *Public Interest*, REASON, and many other sources. But in *Ethnic America*, now available in paperback, Sowell does a fine job of bringing it all together in a very readable, even inspiring, way. As the Jeffersonians and Jacksonians said, the free market allows people to achieve the greatest possible degree of equality of opportunity *and* outcome commensurate with human nature. That was one of the crucial ideas of "the great system of liberty" held up as an ideal by both Adam Smith and the Founding Fathers. Collectivism inevitably leads to more inequality, freedom to less. Pity all the modern Marxists who never learned or too easily forgot that great truth.

Markets and Minorities, a spin-off from *Ethnic America* and from the far more systematically theoretical work by Sowell, *Knowledge and Decisions*, is a methodical discussion of how the free market produces equality of opportunity and outcome. It also includes some judicious selection of evidence to verify the theory. For example, blacks were of great and growing importance in the highly skilled building trades before government granted monopoly powers to unions. In the free-market situation, minorities could always get a start by accepting lower wages. Employers who hired them gained; those who would not lost. Under a system of liberty, discrimination costs; under monopoly, it need not. That's what happened when the unions came to power. In fact, since the union could often deny any labor to the employers, *nondiscrimination* could be fatally costly when the unions wanted discrimination. They got it, and blacks disappeared from the skilled trades.

This, too, is an argument that many of us probably know by now. (I had the great pleasure of hearing it a few years ago in a talk by the late and great patriot of freedom, Ben Rogge.) But it's done extremely well here and will make an excellent little text in any course on minority groups, racial relations, or economics. (I hope to use it in a course on social economics, if my department can ever overcome its instinctive fear and loathing for any discussion of the values of freedom.)

Sowell's works have some shortcomings. For example, there are no controlled comparisons of West Indian blacks and Americans with the similar yet different experiences of blacks and Indians throughout Latin America on the *latifundios* (great estates). Nor does Sowell look at blacks in the growing nonunion segments of building today in comparison with those in the unionized segments, especially those subject to the

federal requirements to pay union wages (the Davis-Bacon Act). But, then, something needs to be left for the next generation.

Besides, Sowell is abused enough. Even the reviewer for the *Economist* (Apr. 17, 1982) spent about half the review impugning Sowell's racial integrity—and implying "racism did it all." Fortunately, the *Economist* did publish a rebuttal (May 1, 1982) by the prime minister of Barbados, J. M. G. Adams, who pointedly noted that the reviewer overlooked all the careful argument and evidence. If Sowell's critics can be so blind to his obvious strengths, we can at least be gracious by forgiving his failure to be perfect—but never accept it!

Jack Douglas teaches sociology at the University of California, San Diego.

A Rebellion in Retreat?

The Tax Revolt
By Alvin Rabushka and Pauline Ryan
Stanford, Calif.: The Hoover Institution. 1982. 288 pp. $16.95.

Reviewed by James T. Bennett

In *The Tax Revolt*, Alvin Rabushka and Pauline Ryan set out to explore the causes and consequences of the tax-reduction movement in California in the late 1970s that produced the now-famous Proposition 13. For those interested in and discontented with the burden of taxation, the book provides fascinating insights into the events and personalities that precipitated tax-cutting fever in California and other states without the esoteric jargon so typical of the work of economists. A reader who expects to discern a recipe or a "how-to" set of instructions for curbing the public sector's appetite for the incomes of private citizens is likely to be disappointed, but the study was not written for that purpose. Nevertheless, from this brief historical review, there are many lessons that have far-reaching implications for the future.

According to the authors, two essential ingredients came together in the late 1970s to precipitate Proposition 13: economic factors and the personality of Howard Jarvis. Throughout the decade, inflation had produced a devastating effect on real disposable (after-tax) incomes of California citizens by rapidly escalating property values and by pushing taxpayers into higher income-tax brackets. Other government policies such as no-growth restrictions further increased the assessed value of property and caused property taxes to soar. By 1977, Californians were paying about 16 percent of their incomes to state and local governments—well above the average for all other states—in addition to federal taxes.

Rabushka and Ryan contend that as long as their after-tax real disposable income grew, "taxpayers were willing to tolerate even more rapid growth in the public sector." Apparently, the straw that broke the camel's back was the decline in the purchasing power of taxpayers. Also, as government grew, so did the popular perception of rampant waste, inefficiency, and fraud. Economic events bred discontent, and the stage was set for a taxpayer rebellion.

Despite the dissatisfaction of taxpayers, the legislature made no decisive moves to reduce the tax burden, even though a sizable (and growing) budget surplus had developed in the state coffers. As in 23 other states, however, California's constitution provides for ballot initiatives through which citizens may attempt to convert public sentiment into laws or constitutional amendments. The personality of Howard Jarvis provided the driving force that focused voter

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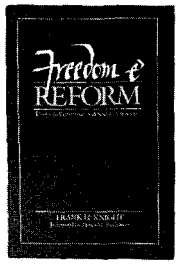

Freedom and Reform
Essays in Economics and Social Philosophy

By Frank H. Knight
Foreword by James M. Buchanan

Fifteen essays, first collected in 1947, treating social, political, economic, and philosophical problems from Frank Knight's characteristic perspective. Professor Knight (1885–1972), author of the economic classic, *Risk, Uncertainty and Profit* (1921), taught economics for many years at the University of Chicago.

In the Foreword Professor James M. Buchanan says of Knight, "He possessed the elementary gumption to stake out his intellectual-moral position unawed by either the 'wisdom of the ages' or the potential censure of his peers in the academy. He was willing to acknowledge his own vulnerability to error, and when he was confused, he was not reluctant to say so." Hardcover $14.00. Paperback $6.50.

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outrage over taxation into Proposition 13, which offered tax relief to property owners.

As the tax-limitation proposal gathered momentum, a mad scramble by the vested interests ensued. Public employee unions and bureaucrats predicted catastrophic cutbacks in education, fire services, police protection, and other municipal services. Politicians who began to feel the heat also began to see the light and discussed tax measures in the legislature, but they did far too little too late. The machinations of Governor Brown in opposing Proposition 13 prior to its passage and taking credit for its success afterward are, indeed, awesome and entertaining.

The consequences of the tax reductions embodied in Proposition 13 are still not entirely clear, for most of the local revenue loss was made up from the state surplus. Economic disaster did not occur, but it is by no means clear that the tax revolt achieved its goals of reducing waste and inefficiency in the public sector. The authors assert that "in the first three years of the tax revolt, government in California went about its business as usual." In fact, little has changed, and some of the benefits of Proposition 13 are being eroded—as property is sold, it is reassessed to full market value. In the wake of Proposition 13, Proposition 4 was overwhelmingly passed a year later. This initiative, spearheaded by Paul Gann, was the logical counterpart to Proposition 13, for Proposition 4 set limits on government spending and permitted a direct vote on spending levels. As yet, however, there is little evidence that Proposition 4 has placed an operative ceiling on expenditures.

The tax revolt spawned yet another Jarvis-led initiative, Proposition 9, in 1980 which was to reduce state income tax rates by half, index the rates to inflation, and abolish the state inventory tax. The state politicians, however, took most of the steam out of the effort by indexing rates for two years, eliminating the inventory tax, and increasing state income tax credits. Proposition 9 failed, and Rabushka and Ryan conclude that "widespread public rage over state income taxes that would fuel an income tax revolt simply did not exist." In short, the tax revolt has largely fizzled and "government recalcitrance has prevailed over voter aspirations."

The authors view tax rebellions as episodes in which the public temper flares at greedy government for a brief period, legislation is enacted or initiatives are passed, and then business goes on as usual. Government finds other funds and continues to borrow and spend, and the taxpayer passively accepts the fact that nothing can be done to curb the public sector.

Such an assessment is unwarranted and shortsighted. The greatest tax revolt in history is now getting under way and gathering force with remarkable speed. This revolt is not being carried out through the ballot box—it is true that voters have learned that little effective control of government can be gained by exchanging one set of rascals for another or by mandating spending limits or tax limits that can be easily evaded. The current tax revolt is occurring in the underground economy; in other words, individuals are underreporting their income or refusing to file tax forms in order to reduce or eliminate entirely the taxes they pay. Tax evasion and avoidance are becoming so widespread that the notion of "voluntary compliance" is rapidly becoming a myth. Current estimates are that individuals are keeping nearly $100 billion of what the federal government would take; figures for state and local levels would add billions more. Government cannot waste funds that it does not receive, and the public is rapidly learning to distinguish political reality from political rhetoric; as disenchantment with government continues to grow, the practices of the underground economy will expand and the social stigma of tax avoidance and evasion will decline.

The American taxpayer has not meekly surrendered to rapacious government. Nor has the tax revolt by any means fizzled. It has merely changed its form.

James Bennett is a professor of economics at George Mason University.

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Lines of Thought

The Ominous Parallels: The End of Freedom in America

By Leonard Peikoff
New York: Stein & Day. 1982. 384 pp. $16.95.

Reviewed by Tibor R. Machan

Among those who have an interest in developments in libertarian and objectivist scholarship, Leonard Peikoff's book has been long awaited. The work is finally published, roughly 12 years or so since its publication was announced as imminent.

The Ominous Parallels is a book addressed to the educated layman and is concerned mainly with how philosophical ideas influence human history. In particular, Peikoff sets out to show that certain ideas advanced in German and European intellectual history—some of them with roots in early Greek and Biblical thought—produced the horrors of the Third Reich, that is, National Socialism under Adolf Hitler's leadership. The secondary objective of the work is to warn Americans that intellectual trends afoot in the United States could easily produce results essentially similar to what happened in Nazi Germany, at least unless they are countered in the near future.

The main villain of European intellectual history targeted by Peikoff is Immanuel Kant, the famous German philosopher whose influence on modern philosophical and related thought is undeniable. Kant's crime is that he knowingly, though perhaps not maliciously, attacked the very capacity of the human mind to have confidence in its efficacy as a faculty by which to obtain knowledge of reality. For Kant, we could never know that we have knowledge of reality.

Furthermore, because of some very peculiar ideas about reality itself, in Kant's moral philosophy, being morally good has nothing to do with acting so as to make one's life better. In fact, if one has even the slightest inclination to do something—that is, if what one does is remotely related to what one likes or desires to do (either because doing it is satisfying or because the consequences are beneficial)—doing it can have no moral significance.

From this philosophical viewpoint, which to Peikoff is the most morally pernicious and antilife philosophy that has

been produced in human history, all sorts of horrible results flowed. Various subsequent philosophers, such as Hegel, were influenced by Kant, and eventually the cultural and political life of Europe, especially of Germany, fell under the spell of the Kantian philosophy. In the last analysis, the phenomenon of Nazism, with its total subjugation of the individual human mind to the irrational leadership of a representative of the collective will (Hitler), can be blamed on Kant and his followers. And if America does not change its intellectual climate soon, there are trends that will ultimately lead this society to a similar fate. That is, in its essence, the thesis of *The Ominous Parallels.*

Now this idea is not ridiculous—quite the contrary. Philosophy has consequences, and philosophers who produce shoddy theories, even if these are ever so dazzling and complicated and impressive in their logical acrobatics, may be taken to shoulder some of the responsibility for those consequences.

Just as in any civilized court of law, the charge of such serious crime must be *proven.* Peikoff's book, however, does anything but prove the case against Kant and his followers. Instead, the book speaks to the already converted—to people who believe what the author claims to be proving and no longer have any desire to see the ideas tested, debated, argued, defended against serious objections, and otherwise discussed in the style of serious scholarship. In short, one need not deny the *Ominous* thesis to find significant fault with this book. There is no effort at all to consider reasonable questions about the position advanced. Not one alternative explanation for the phenomenon of Nazism is examined. Even Peikoff's documentation is suspect, since he does not rely on standard translations of the philosophers whom he discusses and does not defend his choice of a private translator, a friend of his whose German may be impeccable but who is not a philosopher but an economist.

Some books written along lines similar to *The Ominous Parallels* have become famous—for example, Alvin Toffler's *Future Shock* and Robert Ringer's *Restoring the American Dream.* But these do not even pretend to deal with complex ideas on the order of Kant's, Hegel's, and Nietzsche's philosophies. Moreover, the phenomenon Peikoff wishes to explain has received the attention of some of the best minds of our century. It is most un-

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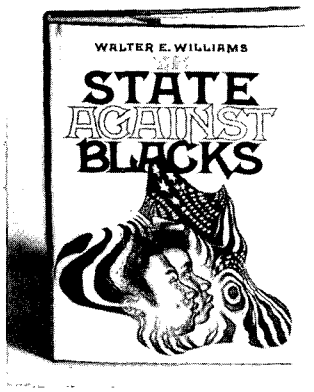

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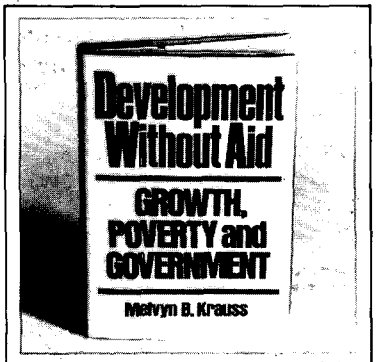

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fortunate, therefore, that he proceeds as if nothing, or nothing worth consideration, had been said about the topic. (I would have loved to see Peikoff discuss why George Steiner's analysis of the Nazi horrors is supposed to be inferior to Peikoff's own!)

Leonard Peikoff is capable of writing excellent material on the history of ideas—his doctoral dissertation on the development of some crucial ideas in logic and metaphysics was certainly a commendable accomplishment. Unfortunately, he did not choose to handle this subject with the same degree of care and scholarly rigor and thus produced a book that is utterly unsatisfactory, given the importance of the topic with which it deals. Critics and detractors of the philosophy of objectivism, which is in desperate need of serious discussion and defense, will now be able to wince and snicker, instead of being compelled to consider the work of the main spokesman today of the objectivist philosophical movement.

Tibor Machan is a senior editor of REASON, *editor of* The Libertarian Reader, *and author of* Introduction to Philosophical Inquiries.

The Pilgrim's Paradigm

Political Pilgrims
By Paul Hollander
Oxford: Oxford University Press.
1982. 524 pp. $25.00.

Reviewed by Ed Crane

Surveying a string of pessimistic conclusions, Paul Hollander suggests in the final sentence of his book: "Perhaps such pessimism involves an element of magic thinking, a lurking hope that the discouraging developments envisioned above may be foiled by conjuring them up for anticipatory inspection." *Political Pilgrims* is actually two books, one of which succeeds nicely in achieving the author's intention and the other—clearly most dear to his heart—which could only succeed in the fuzzy-minded world of "magic think" and "lurking hopes."

But regardless of the author's primary interest, which is in "probing the . . . psychological roots" of liberal intellectuals and fellow-travelers, his vehicle for pursuing that interest provides a devastating indictment of a powerful force in 20th-century Western thought. *Political Pilgrims* is a sweeping survey of the writings of those (mostly) American intellectuals who have taken it upon themselves to travel to and comment on the various in-vogue communist societies from the 1930s to the present. Here is a who's who of Western intelligentsia, from Jean-Paul Sartre, Lincoln Steffens, and Granville Hicks to Herbert Marcuse, Mary McCarthy, and Tom Hayden, confronted with the giddy words of praise they have lavished on some of the most brutal regimes in the history of mankind. Just a few quotes will suffice to give the flavor and content of most of the book.

How and why has that group of people known as intellectuals become so often attracted to socialist societies?

There's George Bernard Shaw rationalizing Stalin's purges: "We cannot afford to give ourselves moral airs when our most enterprising neighbor [the U.S.S.R.] humanely and judiciously liquidates a handful of exploiters and speculators to make the world safe for honest men." Upton Sinclair was more candid about the "handful" when he wrote, in effect, so what if the purges were expensive: "Maybe it cost a million lives—maybe it will cost five million—there has never been in human history a great social change without killing."

As the pilgrimage moved to China the scenery changed, but not the intellectual gibberish. Joshua Horn witnessed the National Day Parade and allowed that he "had never before experienced such a mass demonstration of unity, joy and confidence . . . . Rosy cheeked, red scarved, cheering lustily, full of vigor and happiness, they surged forward like a tidal wave." In visiting a nursery school Shirley MacLaine was charmed to observe "the glorification of selflessness, the gentle education of one who does not conform."

And so it goes. A point Hollander sets out to make from the beginning is that the notion of the inherently critical and skeptical intellectual is a false one. The evidence appears overwhelming. Supposedly discriminating intellectuals presume to analyze societies about which they know little, based on rigidly controlled tours with minimal, if any, independent contact with average citizens. Such credulity even extends to the failure to recognize that one's guide and translator may not be accurately representing answers to questions or that one's accommodations and food were atypical of the society as a whole.

The question remains, how and why that group of people known as intellectuals has for most of this century become alienated from our society and so often attracted to socialist societies that are objectively reprehensible, that deny individuals even the most basic civil liberties and fail to deliver material well-being. Hollander points out that the perceptions of the socialist societies were a function of the internalized desires and preconceptions of the intellectuals themselves. They found the West lacking any "moral mandate" in the world and projected such a mandate on those societies in opposition to our own.

Now, this is undoubtedly a valid point, and it applies not only to liberals or pilgrims of the past. Anarchist theoretician Murray Rothbard, for instance, was so excited at the prospect of the fall of the Saigon government (or any government) that he wrote an article in 1968 praising the Viet Cong for winning the support of the "overwhelming majority of the people in South Vietnam." Incredibly, he argued that the Viet Cong "platform is no more socialistic than those of the Democratic and Republican parties in the United States—and maybe a good deal less." And in August 1982 Arthur Schlesinger, Jr., in a column in the *Wall Street Journal*, painted a totally spurious picture of a consumer-oriented Soviet economy with vacationers frolicking at the beach in "Adidas T-shirts."

Hollander has a tough time grappling with the *why* of the intellectuals' alienation. He becomes something of a pop psychologist musing over what he perceives to be the paradox of intellectuals, "once the vanguard of secularization" who now "seem to have become its

struggling victims, unwilling or unable to come to terms with an existence, personal and social, that offers so few authentic versions of 'enchantment.'" And so we are treated to all sorts of psychological hypotheses (he ever seems certain he is on the right track—"magic thinking," remember): "contextual justifications," "selective determinism," "moral relativism," and "social psychological analysis" are put forth to "explain" the political preferences of the fellow-travelers.

Clearly, Hollander is at pains to explain actions and beliefs he both doesn't understand and thoroughly disapproves of. His underlying premise appears to be taken from Joseph Schumpeter, namely, that capitalist society creates its own critics from within by offering spiritual prospects that ultimately cannot be satisfied. Thus, he makes a point of distinguishing his study from David Caute's *The Fellow Travellers*, which argues that the leftist intellectuals were rationalist heirs to the Enlightenment. (Certainly, Hollander is correct, if for the wrong reason, in rejecting Caute's thesis: Ludwig von Mises had demolished the positivist concept of rational economic planning a decade before the first pilgrimages to the Soviet Union.)

Who Paul Hollander is helps explain why he fails in his attempt to understand the phenomenon he documents so well. Born in Hungary and educated in Communist Budapest, Hollander is a sociology professor at the University of Massachusetts and a fellow at Harvard's Russian Research Center. Politically he is (although he seems unaware of it) a full-fledged up-to-the-minute neo-conservative. At the end of the book we learn that he is greatly disturbed by the "low morale and loss of will of political elites," thinks that the real tragedy of losing the war in Vietnam was that it contributed to a decline in respect for our political institutions, is appalled that students today object to being drafted, and finds it somehow necessary to point out that Batista treated *his* political prisoners better than Castro does.

In fact, Hollander actually concludes that the real damage wrought by the political pilgrims is not so much in improving the image of socialist nations but in decreasing society's commitment to Western values and institutions. "The raising of fundamental questions about any social order," he warns, "has inherently subversive consequences."

Like most neo-conservatives (interestingly, he dismisses this important intellectual movement—one which he actually seems to be calling for—with a footnote) he is fond of defending "legit-

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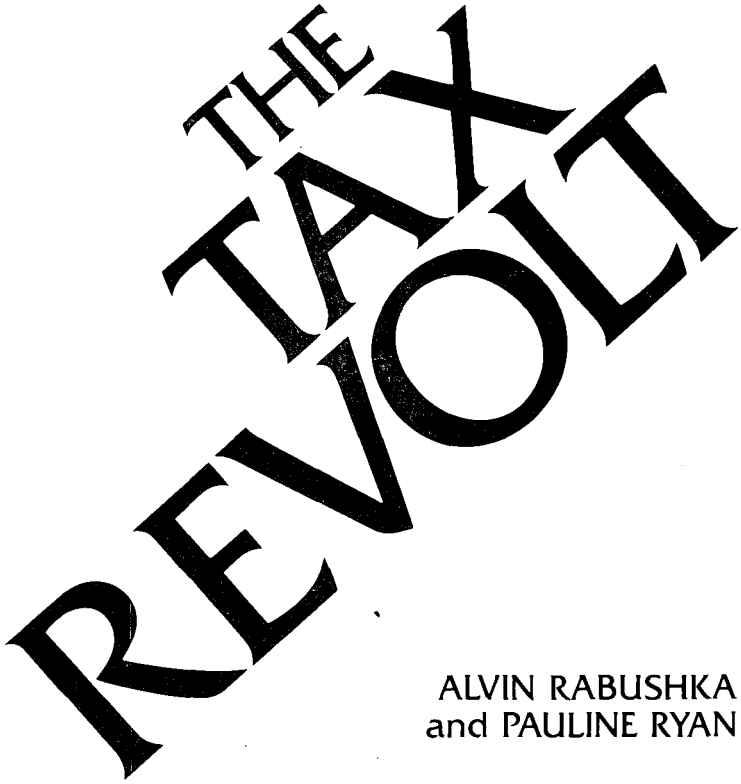

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imate Western values" without really defining them in political terms. Rather, he admires a strong social fabric, the family, and respect for authority. The *political* manifestation of this is a conservative welfare-state (he favors making "life easier, less materially deprived by political means") and a foreign policy premised on anticommunism.

Ironically, Hollander can look to his own contradictory political philosophy for a better explanation than the psychological rationalizations he offers us for the alienation intellectuals feel toward our society. For it should be obvious that as intellectuals reflect on society, its problems, and how it could be made better, they attempt to integrate their perceptions into a consistent whole. What passes for political philosophy in our "mixed economy" is hardly the stuff to satisfy an intellectually curious mind. Marxism at least attempts to make sense of the world, to offer an internally consistent worldview. That fact alone makes it relatively attractive to many intellectuals.

As an aside, one could argue that in our society the government-controlled educational establishment has created an artificial overabundance of intellectuals with time on their hands to ponder the meaning of the world. An article in the northern Californian *Pacific Sun* pointed out that "in a truly capitalistic society intellectuals would be paid exactly what they're worth on the free market, which is perilously close to nothing. As a result, almost all intellectuals are court intellectuals—they tell the prince what he wants to hear." The importance of this point, of course, is that intellectuals typically will look for an integrated worldview consistent with a government strong enough to grant them tenure.

What, then, is the answer? Perhaps it can be found in the important insight of Thomas Kuhn's *The Structure of Scientific Revolution*, in which he argues that one is unlikely to challenge an existing worldview without a competing paradigm. If a political paradigm is not available to compete with the statist political paradigm, the attractions of Marxism and socialist societies are likely to be sustained.

Encouragingly, that competing paradigm is being developed, most notably (and not coincidentally) by two former socialists, Harvard philosopher Robert Nozick (*Anarchy, State and Utopia*) and French writer Henri Lepage (*Tomorrow, Capitalism* and, forthcoming, *Tomorrow, Liberalism*). Here are two major works that take the moral initiative away from the socialists and also present an integrated worldview based on individual rights, containing none of the contradictions (individual freedom is to be valued *except*...) of Paul Hollander's neoconservatism. It is cause for optimism, not "magic thinking" pessimism.

Ed Crane traveled to the Soviet Union in 1981 and was thoroughly unimpressed. He is president of the Cato Institute in Washington, D.C.

Book Hints

a selective mention of books received for review

Answering the apparently insatiable thirst of Americans for investment advice are three recent "how-to-profit" books. In *How to Profit from Disinflation* (Piscataway, N.J.: New Century Publishers, 1982, 184 pp., $12.95), Myron Simons, a long-time New York Stock Exchange insider, outlines investment strategies appropriate for the present economic climate in which inflationary pressures are abating. Judith McQuown, a former Wall Street portfolio analyst, provides an investment guide suited to the times in a different way: *Playing the Takeover Market: How to Profit from Corporate Mergers, Spinoffs, Tender Offers, and Liquidations* (New York: Seaview Books, 1982, 255 pp., $14.95). And, Max Ansbacher, a Wall Street stockbroker and author of a previous investment bestseller, demonstrates how investors, large and small, can capitalize on the current market in *How to Profit from the Coming Bull Market* (Englewood Cliffs, N.J.: Prentice-Hall, 1981, 226 pp., $6.95 paper).

Meanwhile, for those who wish to preserve their assets from taxation, one approach is provided in *The "How-To" Handbook of Massive Tax Reduction* (Los Angeles: Universal Life Church, 1982, 51 pp., $14.95 paper), which presents a step-by-step guide to forming a congregation and enjoying church-oriented tax reductions. For up-to-date information on estate taxes, *Who Gets It When You Go?* (New York: Random House, 1982, 141 pp., $4.95 paper), by estate-tax specialist David Larsen, explains exactly what happens to our property when we die and what can be done so that most of what we have goes to those we choose.

Taxes are the subject in a different way of two other books, *Inside the Underground Economy* (New York: Signet Classics, 1982, 168 pp., $2.50 paper), by Jerome Tuccille, and the *Subterranean Economy* (New York: McGraw-Hill, 1982, 187 pp., $19.95), by Dan Bawly. Both look at who is evading or avoiding taxes, why they do it, and how.

On a more theoretical note, several books on political economy and political philosophy deserve mention. Arnold Heertje has edited a tribute to Joseph Schumpeter in *Schumpeter's Capitalism: "Capitalism, Socialism and Democracy" Revisited* (New York: Praeger, 1982, 208 pp., $19.95), in which well-known scholars including Robert Heilbroner and Paul Samuelson reevaluate Schumpeter's prediction that capitalism cannot survive. The American Enterprise Institute has published two provocative companion pieces, *How Democratic Is the Constitution?* (Washington, 1982, 172 pp, $5.25 paper) and *How Capitalistic Is the Constitution?* (Washington, 1981, 150 pp., $12.25, $5.25 paper), both edited by Robert Goldwin and William Schambra. In the former, the authors analyze the meaning of democracy, its relationship to the Constitution, and the relative importance of securing individual rights versus establishing a democracy. The latter book offers a variety of views regarding the relationship between a free, democratic government and a capitalist economic system.

Of interest to scholars in political philosophy is Allen Buchanan's *Marx and Justice: The Radical Critique of Liberalism* (Totowa, N.J.: Rowman & Littlefield, 1982, 220 pp., $23.50). Written in part while Buchanan was a summer fellow at the Reason Foundation, the book provides a comprehensive examination of Marx's thoughts on distributive justice, political and civil rights, and criminal justice. Also of interest to political philosophers, LibertyClassics has recently published two volumes of works by Adam Smith, *Essays on Philosophical Subjects* (Indianapolis, 1982, 355 pp., $5.50) and *Lectures on Jurisprudence* (Indianapolis, 1982, 610 pp., $5.50), each originally published in hardcover by Oxford University Press as part of a six-volume series of the works and correspondence of Adam Smith.

—L. S.

Prisoner of Conscience

Waiting for the Barbarians.
By J. M. Coetzee.
New York: Penguin. 1982. 156 pp.
$3.95.

Reviewed by Jack Shafer

"Once in every generation, without fail, there is an episode of hysteria about the barbarians," speaks the aging magistrate who narrates J. M. Coetzee's novel, *Waiting for the Barbarians*. The magistrate presides over a prospering trading settlement at the

edge of the thousand-mile-long frontier of "The Empire," a civilization rooted in 19th-century technology—muskets, carriages, and stone ovens. The peace of the settlement is broken when Colonel Joll of the Civil Guard arrives from the capital with news of barbarian uprisings—raids on pack trains, stolen sheep. To the magistrate, this is old news. "Of this unrest I myself saw nothing," he says. "Show me a barbarian army and I will believe."

The search for the enemy commences. Colonel Joll satisfies the Empire's demand for a body count by rounding up harmless fishing people and torturing confessions out of them. Of his techniques of interrogation, Joll tells the magistrate, "A certain tone enters the voice of a man who is telling the truth." The magistrate's rage builds slowly—he is, after all, only an elderly civil servant with no greater professional ambition than to collect a short acknowledgement in the imperial gazette when he retires.

Colonel Joll casts the net farther, captures a pack of the nomads called barbarians, and tows them into the settlement with thin steel wires threaded through their hands and cheeks, to deposit them into the growing inventory of misery. The Empire's hostilities close the frontier, commerce ceases, and the outpost begins its decline as two communities of parasites—prisoners and Civil Guard—attach themselves to the settlement.

Coetzee's novel scales the range of the novelist's art as his Kafkaesque everyman begins to challenge the authority of the state. Against an imagined backdrop of culture and environment which Coetzee skillfully creates with subtle literary gesture, one man's defense of the rule of law and decency is sketched. The magistrate extends his compassion first to a barbarian girl whose eyes have been singed and feet crushed in interrogation by Joll, and then to barbarian prisoners who are pulverized in public beatings. His compassion marks him as a traitor, and the terror of the Civil Guard is brought down on him.

The wealth-producing land outside the settlement is razed to deny the phantom barbarians sanctuary. Detachments of the Civil Guard mount new forays into the frontier and vanish. The people of the outpost grow venal, the troops larcenous; and as the village exhausts its civility, it begins to feed on itself. Colonel Joll's search for the enemy concludes with a surprise. The wait for the barbarians is over. They are to be found everywhere.

Coetzee's short tale, set in its mythic netherworld, has allegorical strains too numerous to tabulate. Religious notions about penance and purification are intertwined with a historian's sense of the fragility of civilization. But *Waiting for the Barbarians* is primarily the story of the noble magistrate, who says of himself, "Let it at the very least be said that in this farthest outpost of the Empire of light there existed one man who in his heart was not a barbarian."

Jack Shafer is managing editor of Inquiry.

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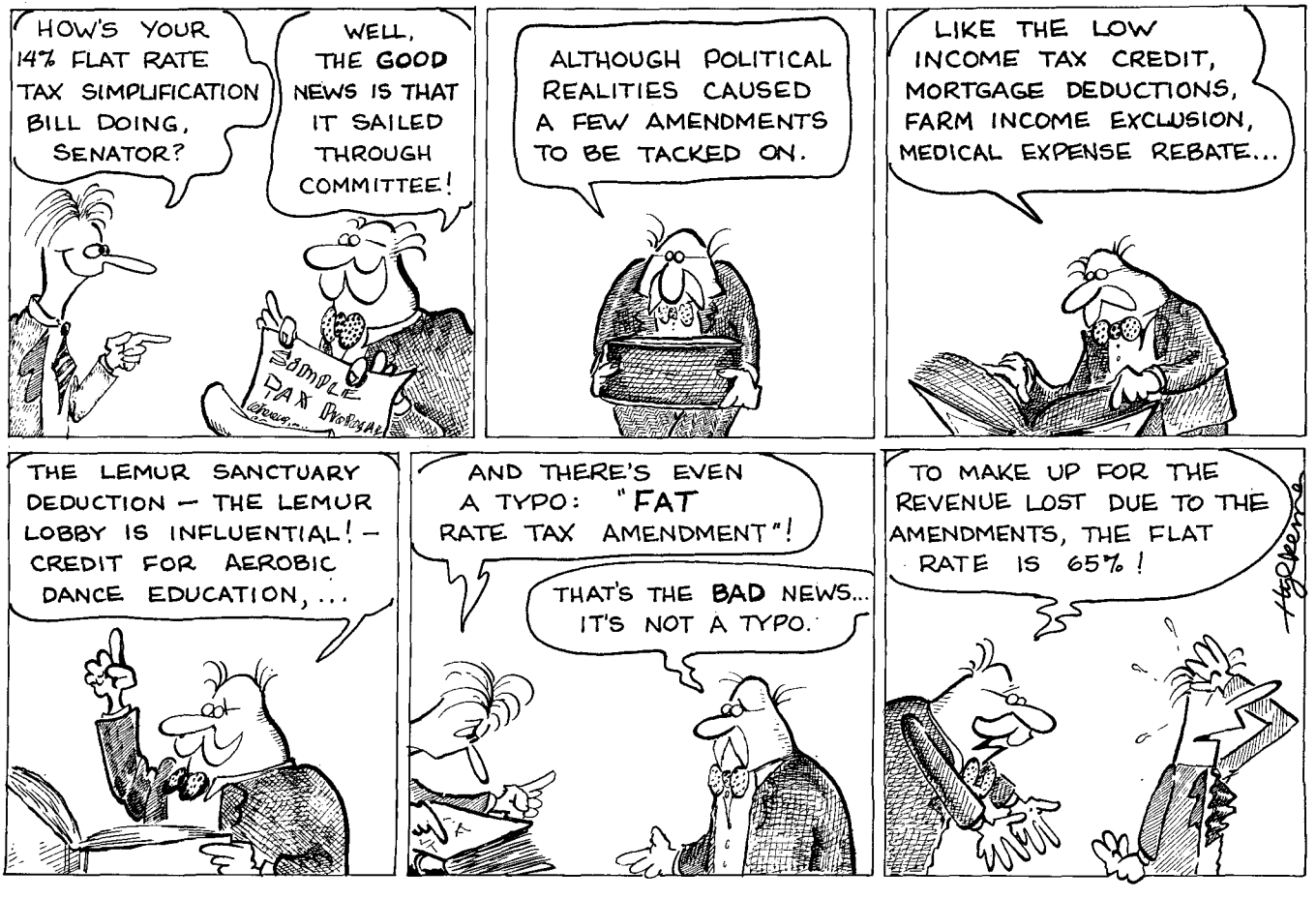
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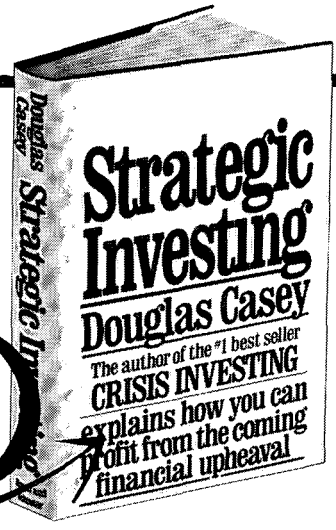
THE CLASSIFIED AD DEADLINE FOR THE APRIL ISSUE IS FEBRUARY 1.

The Greater Depression of the 80s
is already here, says Douglas Casey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explains how you can profit from the coming financial upheaval

Then he shows 3 ways it might go — and for each way, surefire opportunities to make money

Casey's 3 scenarios:

BEST CASE. A libertarian dream that would make Reagan the greatest President since Washington. Millions are ruined, unless they make the right moves with their money. But the pain ends soon, and America is finally back on the fast track.

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Once he establishes the broad possibilities, Casey looks at ways to cope with a situation we've never confronted before. Among the hundreds of new ideas and forecasts:

- "Gigantic panic" for *some* money market funds. Is yours a candidate? How to judge.
- New opportunities in real estate — but not yet. But when the time comes, 3 reasons to look for lower-priced properties.
- Stocks: "the bull market of the century" — and soon.
- "Stable" or "conservative" investments — and why you must realize that there's no such thing anymore.
- Can the market soar when fundamentals look so bad? 3 reasons why Casey gives a resounding YES.
- The future for long-term bonds.
- One huge, tattered stock group Casey is sure will bounce back.
- "No money down": why the day is coming when you'll be able to buy much more on these terms.
- The stock group that looks like gold did ten years ago.
- Special situation: a unique way to buy silver futures *and* earn good interest.
- "Baron Rothschild, why are you so wealthy?" His pregnant reply.
- Model portfolios: for those with under $5,000...$25,000 ...$100,000...$1 million.
- Commodities: not necessarily a crap shoot. How to make up to ten times your investment *and* cut your risk. Two reliable buy signals. Why the conventional wisdom is — once again — wrong.
- "Flow of funds," and why this favors a roaring bull market.
- 5 rules for canny borrowing (or not borrowing) in the 80s.

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- What becomes of welfare and Social Security in a real depression?
- "Investing for income is the kiss of financial death." Why this is especially true today.
- 7 approaches to buying stock: each one can be successful, but not always. How to use each one — or *all* of them at different times or for different stock groups.
- Convertible bonds: due for a revival? The best method for buying them.
- Are stocks now overpriced or underpriced? (Casey thinks they're *both*, and shows why.)
- Vivid example (better than many a course in economics) of exactly how the government stimulates — and distorts — the economy, and feeds inflation.
- 7 major criteria for evaluating a stock.
- The true growth "industry" of the 1980s.
- Institutional favorites: a clue for your own buying — but not the clue most investors follow.
- The menace lurking in the bankruptcy laws.
- Is the present easing of inflation real? Lasting? A sobering view.
- 5 signals to watch for before you enter, or sell out, in *any* market.
- Recommended money market funds: names/addresses/phones, key facts.
- The surest long-term speculation of the 80s — for these 9 reasons. (If you buy Casey's analysis — and we think it makes a lot of sense — then this one idea could literally make you rich.)

If Douglas Casey has one point to make above all others, it's this:

The Greater Depression of the 80s will be — *is* — different from the Great Depression of the 30s. To survive and prosper, you must master the differences. If you do, the opportunities are there, waiting to be seized.

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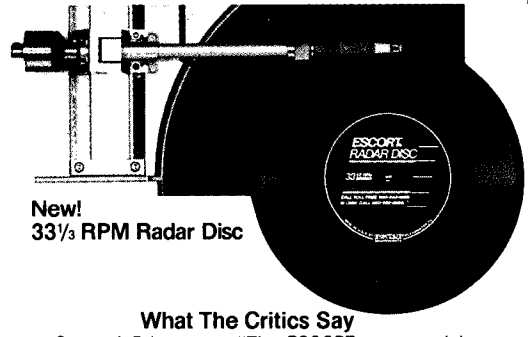

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